

The Economist

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OCTOBER 3, 1953

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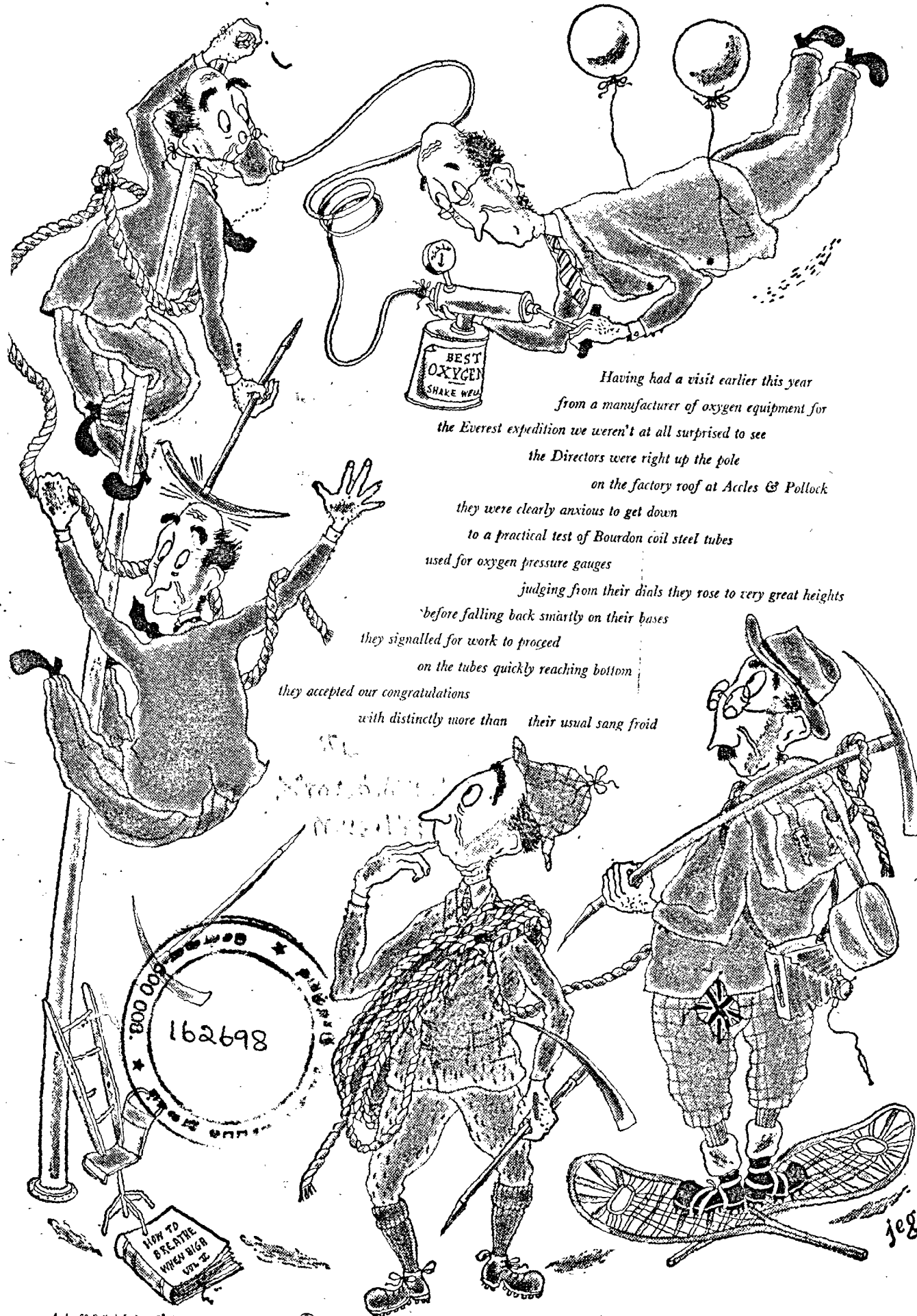
AMERICAN SURVEY: The Littleventions

THE WORLD OVERSEAS: Mr Stassen on East-West Trade

BOOKS: Asians Look at China

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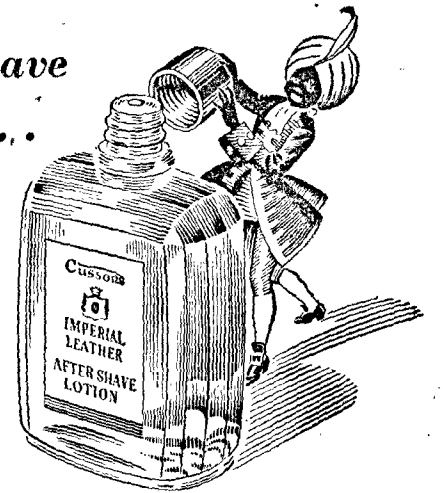
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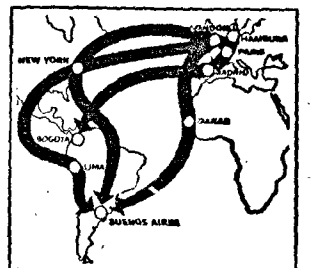
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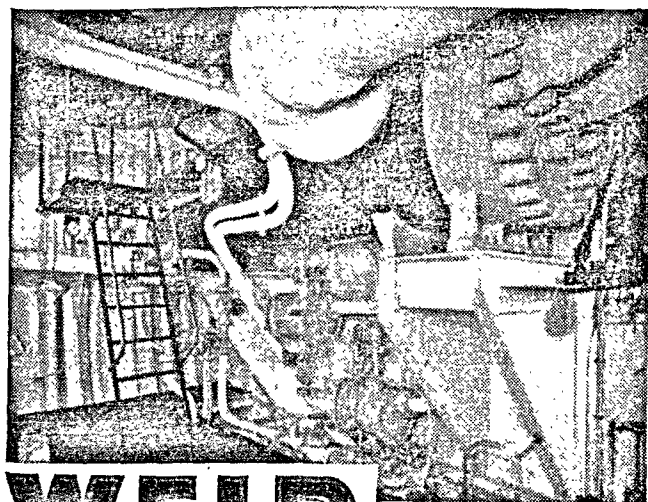
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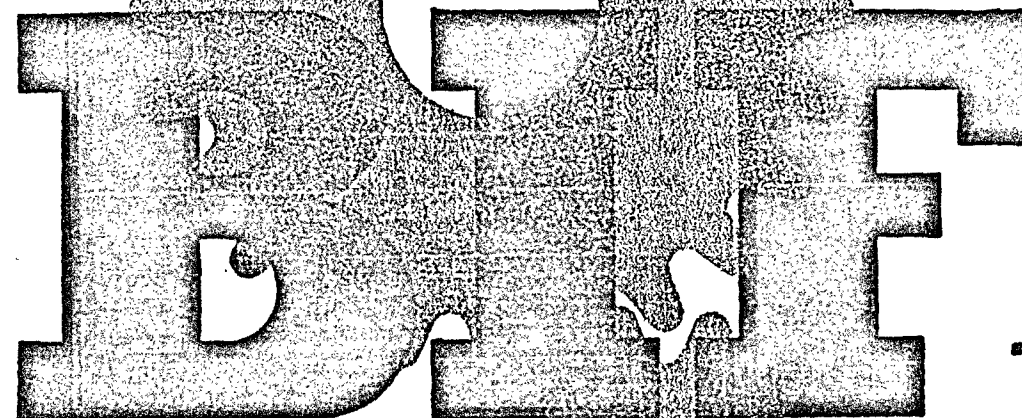
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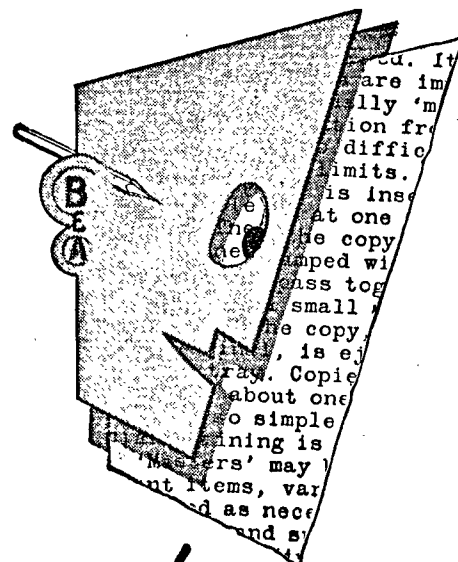
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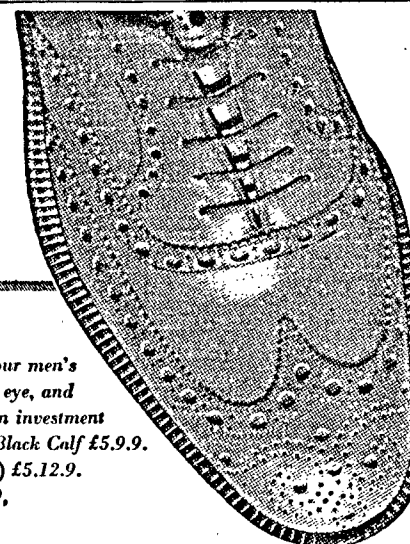
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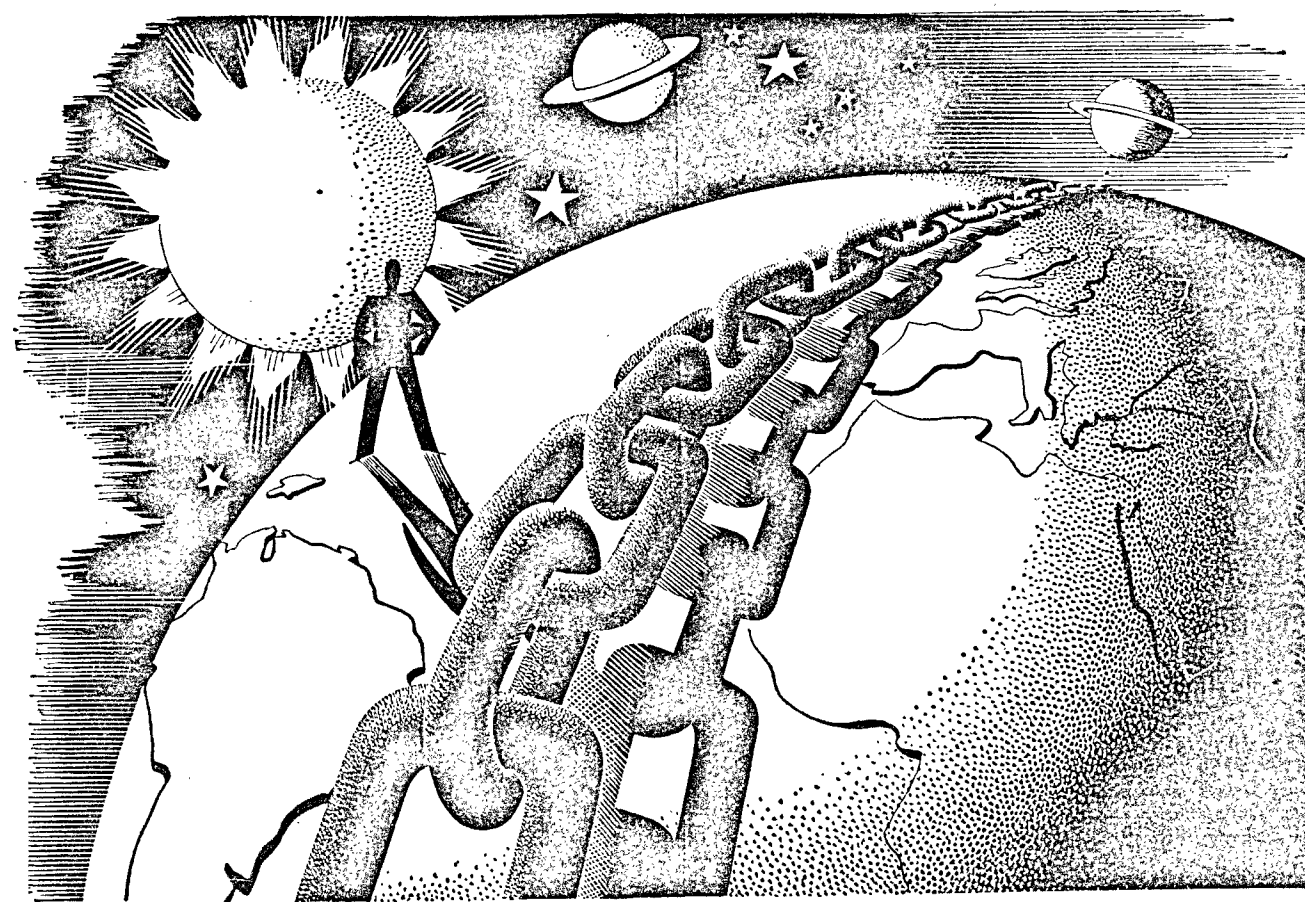
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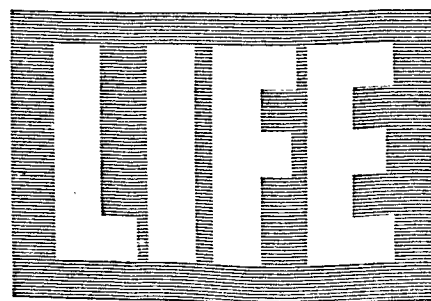
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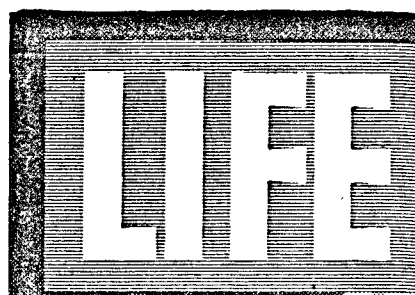


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OCTOBER 3, 1953

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Corrosive Myth

IF the Labour party's statement on foreign policy looks visionary when it was published a week ago, it looks even more now that the Soviet government has poured another bucketful cold war on to the world's flickering hopes. Many of the aims set in the Labour statement were admirable; but as for the means of attaining the more important of them, the men of Margate could only offer a single mystic word—negotiation. They called for negotiation on Germany, on Austria, on Korea and on Indo-China, as if, in each case, this was a shining new idea; and they deplored the West's loss of "initiative in efforts to break the East-West deadlock." An uninformed reader of the statement would, indeed, gain a clear impression that a stubborn western world had long been cold-shouldering a Russia eager to discuss each of these problems. *Pravda* itself could hardly have put it better.

But the facts are about as different as they could be. Since July, the western governments have been repeating to the Russians their long-standing invitations to discuss Germany and Austria; since the end of August, the United Nations has held out to both Russia and China an invitation to a conference on Korea; the French have shown their willingness to negotiate about Indo-China; and the West has clearly indicated that, after making reasonable progress with the affairs of Korea and Germany, it will gladly talk to the Communists about the wider problems of the Far East and of Europe.

For Moscow, as for Margate, these are facts to be glossed over as quickly as possible or, better still, ignored altogether. But at least the Soviet Note has served to bring public attention back to the existence of the western invitations. In making the Lugano meeting impossible, the Soviet government has publicised it; in demanding that Communist China be at once given a full voice in deciding all major international issues, the Russians have given the West another chance to say quietly but firmly that the Korean situation must be further stabilised before the aggressor can join the world's councils.

But that is all that can be said in the Soviet Note's favour. Some of the early comment on it, which suggested that it could be interpreted either as accepting or as rejecting the invitation to Lugano, was over hasty. The Note contains no hint of acceptance, or even of awareness of that invitation. The Lugano hoteliers who had been standing by for a diplomatic invasion on October 15th are already relaxing. Moscow has made it quite clear—even clearer than was implied in its Note of August 4th—that the only kind of conference it is prepared to consider would be one so loaded with ponderous conditions that it would sink before it got under way. (Yet, perversely enough, it is the western governments who get blamed by their oppositions for imposing conditions.)

Indeed, on reading the new Note, one sighs for the relative simplicity of the days when the Soviet government's price for an Austrian treaty seemed to be satisfaction over Trieste. Today, its

price for a free Austria is acceptance not only of its plans for Germany and of the disruption of the European Defence Community, but also of a global ding-dong—which could easily outlast the winter—in which the Russians would apparently demand the liquidation of Nato's defence system and the satisfaction of all Communist China's claims before even beginning to discuss the immediate fate of Central Europe. Every old and new topic in the Soviet repertoire—"propaganda for a new war," atomic weapons, foreign bases, neo-Nazism and Syngman Rhee—is piled on to the obligatory agenda. It is difficult to avoid the conclusion that the Russians have taken unprecedented pains to make their proposals unacceptable; that by tying so many tin cans on to the dog's tail, they hope not simply to wag the poor beast, but to paralyse it.

Yet there is one omission from the catalogue. No reference whatever is made to "talks at the highest level." On the contrary, the Soviet Note—like its predecessors—speaks entirely in terms of foreign ministers. But top-level talks are now enshrined as a key point in the official policy of western Communist parties; the national executive of the British party sounded a clarion call for them just a week ago. Has Mr Pollitt once again broken away from Moscow in order to support Sir Winston Churchill?

In fact, the Note has considerably clarified the situation in this respect. The intimate, informal meeting of heads of states envisaged by the Prime Minister is poles apart from the cumbrous form of negotiation proposed by Moscow. The latter, far from having no agenda and no defined objectives, would involve the foreign ministers in discussing a massive list of obligatory subjects, so arranged that the least manageable of them must be worked through first. In comparison with this appalling prospect, the long and futile rigours of the debates at the Palais Rose in 1951 pale into off-white.

All through this summer public opinion in this country and in some other western European countries has been enamoured of a myth. This has been the myth that there is an alternative way of dealing with the Russians open to the western governments, somehow wrapped up with a top-level meeting, which was both practicable (in the sense of offering an even chance of an honourable and speedy end to the cold war) and acceptable to the Russians. The myth was started by the Prime Minister's speech on May 11th—although he himself made neither claim: he neither held out his proposal as an alternative to the policy that had been pursued theretofore, nor did he raise any expectations of sweeping results. If the Russian Note has any meaning at all it proves the myth to be a myth indeed. It is very difficult after reading it to believe that the Russians will agree to any talks that might yield immediate and practical results; they also have a marked lack of enthusiasm for any kind of top-level intimacy.

No doubt the Russians have good reasons for this. Malenkov's personal position can hardly be safe enough yet for him to contemplate entering a private room with three western statesmen without acute embarrassment. This does not prevent him from employing British Communists to bang a drum which he knows to be broken; but his only reason for so doing is to exploit what he sees as a promising rift in the western ranks. He himself, rejecting both the piecemeal and the intimate approach, invites the West to join him only in a prolonged banging together of his long string of tin cans, the din of which would conceal Moscow's quiet withdrawal from the posture of willingness to negotiate which it has assumed—or which it has allowed the world to believe it has assumed—since Stalin died.

★

Where, then, do matters stand? Exactly where they stood before Stalin died? Much as one would like to believe that there really is a new look in Soviet foreign policy—possible though it may be that one was in the making before Beria's fall—the evidence of the past few weeks, of Vyshinsky's speech and of Molotov's Note, is really convincing. It would take the eye of faith, assisted by powerful rose-tinted spectacles, to detect any difference now between the old attitude of Moscow and the new.

It is not in Russia but in the West that the death of Stalin seems to have made the greater difference. Few people take the trouble to read the text of diplomatic messages or long speeches. The belief that Soviet obduracy was melting chimed in so perfectly with the desperate hopes of millions of ordinary people that the smallest and most irrelevant events are seized on as final proofs. For large sections of the public, the release of one Soviet wife, the admission of one capitalist journalist, outweighs anything that Vyshinsky may say, that Molotov may write or that Malenkov may do. To those who will trouble to study the evidence, it is now as plain as a pikestaff that "high-level talks" would solve nothing. But the odds are that millions of people will go on believing that they represent a magic formula which only American obstinacy withholds.

And so the myth, disproved though it has been, will go on eating away the solidarity of the free peoples. That is why the Prime Minister's proposal was, from the start, so mischievous—not because high-level talks, when they were held, would do any particular harm, but because to suggest that they would do a great deal of good created false hopes whose frustration will be corrosive. The intervening months have shown how very great is the harm that has been done. Conceivably, if the State Department had realised how public opinion in Europe would seize upon the proposal, they might not have been so quick to turn it down. Conceivably they may be changing their minds. It is perfectly argu-

able that, though the proposal of high level talks by the Prime Minister always promised far more harm than good, the harm has already been done, while a serious attempt to hold the talks could now only do good—either (one chance in a hundred) by making some real progress or (the other ninety-nine chances) by convincing even the headline-reader that it was a blind alley. The Prime Minister is said to be persisting in his proposal. His persistence at least may be right.

Yet, whatever the fate of the Churchill thesis, the

M. Laniel before the Assembly

A NEW stage of the endemic French crisis will have been reached when the National Assembly meets next week. The old questions will be asked once more, as they have been asked many times before. Can the present type of government really survive? If it does, can it ever put the stumbling French economy on its feet again? And if not, what will succeed the Fourth Republic, and with what consequences to the fabric of Europe? These are questions to which no final answers may be forthcoming any more than they have in the past. But as the new session develops it is likely to produce at least some clearer indications than any hitherto. For with every government crisis the deadlock becomes harder to break. And that is not a process which can go on for ever.

The Assembly will be meeting a few days ahead of the original date, in response—one cannot help feeling a rather futile response—to the special demand for its recall which sprang from the recent wave of strikes. These were precipitated rather than caused by the Laniel government's undiplomatic handling of its decree powers. Yet, before any verdict is passed on this government, allowance must certainly be made for the handicaps under which it has worked and the immensity of the task it faces. M. Laniel belongs to the same right-wing Independent Party as M. Pinay, whose price cuts ended in failure at the beginning of the year when his supporters refused to follow him in his effort to come to real grips with the antiquated fiscal machinery. As the leader of a government further to the right than the mood of the country, M. Laniel has in effect been in the same predicament as his party colleague.

The full extent of the French economic problem, which has played an increasingly sinister part in bringing down every government of the last few years, is only now becoming generally understood. Successive governments have devised, or rather improvised, a complex system of trade barriers—tariffs, controls, quotas, price supports and state purchases of surpluses—not as a temporary protection during a period of adjustment, but as a permanent attempt to preserve an outworn system of small-scale production. Champion of modernism in so many other fields, France has tried

need for the West to continue its present policy of offering practical talks on practical problems remains quite unaffected. The doors that the West has already opened for discussion of the most urgent problems in both Europe and the Far East are still open, despite the draught from Moscow; indeed, some noteworthy efforts to prop them even wider open have lately been made. If and when the Communists conceive any genuine desire to begin settling outstanding problems, they have only to walk in.

to reject the twentieth-century economics of both Right and Left. It has kept up the artificially small and insufficiently capitalised units in agriculture, trade and industry of a third-class power. In agriculture, government policy has done little to disturb the innate conservatism of the peasants, who still form nearly one-third of the population. In industry and commerce, it is only too widely true that the survival of the unfit has become perpetuated by tacit agreement and the toleration of fiscal laxity. Admittedly some of the basic industries have been reconstructed and in some measure modernised since the war under the Monnet plan. But the benefits of their cheaper productive capacity are either lost in the byways of distribution or largely nullified by the high level of other prices. And on top of all this France has had to spend about one-tenth of its income on defence, including the burden of the long and costly war in Indo-China. American aid has been given on a large scale, but not large enough to change the nature of the basic problem.

This was the real background to the Laniel decrees. Since these special powers had once more been entrusted to a government without left-wing support—even most of the Socialists had withheld their approval—it was hardly surprising that the unfortunate priority given to interference with the pension rights of state employees led to the wave of summer strikes. Since then, on the other hand, the government has not done too badly. Much of its energy has had to be devoted to dividing the trade unions and preventing the Communists from renewing the conflict. But a genuine drive has been launched against the twin evils of fiscal fraud and high prices; the former has included certain tax reliefs and the latter self-imposed reductions by trade associations. The wages of the lowest paid state employees have been raised and the government has launched a host of minor decrees which should in the long run help to smooth out the economic life of the country. A windfall of \$385 million as supplementary American aid for Indo-China has enabled M. Faure, the Finance Minister, to go a long way towards balancing his budget for 1954, which promises for the first time in many years to be smaller in total than its predecessor.

None of this can be said, however, to do much more than scrape the surface. And although that is not M. Laniel's fault, it is not enough to enable him either to appeal seriously to public opinion over the heads of the Assembly or to avoid a hard debate in the Assembly itself. The test will come during the next few weeks, and he would be an optimist who committed himself to M. Laniel's political survival. Private industry is by no means certain to follow the state's lead in granting a bonus, and even if it did, the industrial workers, who are far more under the control of the Communist trade unions than the state employees, may well take up the fight for still greater rewards. To restore the confidence of the workers the government must show its willingness to attack the privileges of its own supporters and to carry through its anti-fraud campaign by the proposed introduction of a radical fiscal reform. Yet who can say that parliament is really more prepared to back such a measure than it was when M. Pinay was in power?

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The economic dilemma, in fact, is perpetuated and magnified by the political deadlock. Although the centre rules in France, it is a prisoner of its own pressure groups. The centre became the accepted government of the Fourth Republic in 1951 when the democratic parties devised an electoral law and formed electoral alliances to defeat the opponents of the parliamentary regime. The trick worked and the Communists and Gaullists, while polling nearly half the total vote, received only one third of the seats in the Assembly. Yet this device could only be justified as a temporary expedient to give time to the parliamentary forces to gain new adherents, and this they have not done.

During the Pinay episode a breach was made in the Gaullist citadel, through which first the dissident and then the orthodox members joined the parliamentary majority. This shift to the right, however, has pushed the Socialists into semi-permanent opposition; it has also increased the centre's dependence on lobbies which range from beetroot growers to colonial diehards. The discontent and resentment of the workers—and who shall say they are not justified?—meanwhile keeps the Communist forces intact. The average French worker now feels worse off than before the war and that he has avoided a worse fate only by fighting hard. In spite of the lead which the Socialists took in August, the Communists, by staying out only a few days longer, restored their prestige as the principal champions of workers' rights. And as long as the worker continues to feel an outsider in the national community, the Communist preaching of a united front is likely to have far more effect on Socialist and Christian trade unionists than the Socialist slogan of a "social and democratic front" has on the Stalinist rank and file.

Nevertheless, distasteful and dangerous as the prospect of the Communists keeping their five million supporters or even of increasing their numbers may be,

this does not necessarily present the most immediate or direct threat to the democratic regime. It is difficult to see how the French Communists could obtain real power in France without seizing it illegally; and the powers of the regime more than suffice to prevent that. The fear of Communism, however, can still do much to precipitate a movement to the right. Although the Gaullists are disbanded and General de Gaulle himself is probably no longer in the running as a national leader, his diagnosis of the diseases of French democracy cannot be dismissed as dead. The propertied classes could yet rally round another military figure, and Marshal Juin's supposed hand in the recent developments in Morocco has already led people to mention his name in the same breath as Buonapartism.

It was the French themselves who coined the phrase *ce n'est que le provisoire qui dure*. In theory the Fourth Republic is not provisional—even less so than the Third. Yet few who possess a sense of history would lay a heavy wager on the present regime enduring. Only last month M. Mendès-France declared with an air of drama that already we are in 1788. This may seem fanciful. It probably is; the French have a greater gift than most for doing acrobatics on the edge of a precipice. But in the last hundred and seventy years they have lived through four revolutions, two Napoleons and a near miss. In a country that can claim so little legitimacy for any of its institutions, it is even more true than elsewhere that a regime unable to adapt its economic and political mechanisms to the needs of the country is doomed.

It is painful and unfruitful to mull over the ailments of this sick man of Europe too long. For all their logic the French do not in the end act logically. It may even be a false argument to say that extreme contrasts between ostentatious wealth and great poverty cannot last indefinitely in the Western Europe of the twentieth century; Spain and Italy prove in their very different ways that they can. But it would be naïve to watch the French scene and not to draw conclusions. For, while it would have been possible at almost any time in the past twenty-five years to say that the situation in France was critical, two things have happened this summer to make the French people stop shrugging their shoulders over their politics. One is the sharpness of the contrast between the nearly total paralysis of the parliamentary system revealed by the five weeks of governmental crisis this summer, and the startling intensity of bitterness and distrust shown among the people by the subsequent strikes, which were the worst since 1947, and at one moment almost turned into something more serious. The other new factor is the resurgence of Germany. The massive support for Dr Adenauer and the rising self-confidence of the Germans have created a more profound sense of alarm in France than is generally realised. If, in spite of this new urgency, parliamentary government fails once again this autumn to shoulder its responsibilities, it will be difficult for France's friends to sustain their hopes.

Parties on the Screen

THE conference that has been settling the policy of the Labour party at Margate this week may well be the last of its kind. The BBC has proposed that the annual conferences of the two main parties should in future be televised; the idea was to be considered at Margate after this issue of *The Economist* went to press. If either party accepts the invitation it will be difficult for the other to refuse, but it is a matter to be carefully pondered. There is no doubt that the presence of television cameras would work an important change in the attitude of delegates; and from that might follow a change in the way the party conference works and even in the function it performs within the democratic process of government.

Party conferences as now conducted can hardly be regarded as ideal. But would the change wrought by television be, on the whole, for good or for ill? Though voices have already been raised against it, the proposal has some merits. The televising of party conferences is, first and foremost, a new means by which the public can learn more about politics. Whatever may be said about the limitations and dangers of television as a medium of popular instruction—and there is certainly much to be said—it by no means destroys this main point. Television is in principle welcome in politics because it can make democracy better informed. Certainly the televising of the party conferences could be condemned out of hand only by those high-minded persons who have become the priests of a managerial society. For them, television represents an intrusion on the inner working of politics, on the techniques of "managing mass democracy" that ought to be preserved—since a hereditary governing class is no longer respectable—for whomsoever the politicians may be.

It is important to dispose of this snobbish element in the opposition to television. It rests on a distrust of democracy that finds expression in this case simply because television is new and unfamiliar; logically, it has far wider implications. What is fundamentally the same point may be put another way. Readers of the serious newspapers can already get as full an impression of what happens at party conferences as most people have time or appetite for. Television offers alternative facilities to those with more leisure but less training in solid reading. In principle, the widening of information is to be welcomed. The presumption surely ought to be that where the press legitimately goes the television camera is entitled, if it is technically possible, to follow. Certainly this is a presumption, not a rigid rule. But the burden of proving their case rests on those who would keep television out of party conferences, not on those who propose to take it in.

Such a case cannot be based on any fundamental difference, from the public's point of view, between seeing a conference on television and reading about it

in the newspapers. The watcher of the television screen may feel that he is seeing the thing really happen, but in fact he is not an active observer. He cannot look round. What he sees at any moment is what the producer selects from among the various views provided by different cameras. The public's impression of the conference may depend considerably on whether the producer chooses, at some critical moment in (say) Mr Deakin's speech, to show Mr Attlee doodling indifferently, Mr Morrison smiling happily, or Mr Bevan looking scornful. In television, as in the words of a newspaper report, human agency intervenes between the event and the public.

This would be true even of a full-scale programme covering the whole conference—if anybody wanted to watch it. To televise merely some pre-arranged parts of the conference is open to the objection that it would inevitably make those parts artificial, distort the whole procedure of the conference, and satisfy no one. The proper technique would be to televise the whole proceedings during the day, partly for the few who want them but mainly as the material from which to show each evening a telefilm summarising the day's proceedings. Such a film does not necessarily give any better picture of the conference than a good newspaper report. But it can certainly be as good; to make it reasonably impartial presents no special difficulties; and it reaches a different audience.

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These are the arguments for television. The argument against is that it makes a great difference not to the public but to the conference delegates. They do not know what moments and what views are going to be picked out for a viewing audience of millions in the evening. They must continually be conscious of television, bringing the eyes and ears of voters into the conference hall, in a way that they are rarely conscious of the reporters' pencils. Already, it is true, part of the function of annual conferences is to provide an occasion for the party to address itself, through the press, to the public at large. But, to a rather greater extent, it is an internal discussion in which active members of the party appeal to each other, with the voters as very remote listeners, about the policies they ought to follow.

In theory, the attitude of the parties to this discussion diverges. A Labour conference is supposed actually to determine policy. In the Conservative party, the leader lays down policy and the conference merely expresses some opinions. Both theories are unrealistic. In fact, neither a large conference nor a single leader, however able and popular, can in the British political system have more than an occasional and marginal influence on policy. Whatever the formal procedure,

the bulk of party policy is the product of a group of the party's principal leaders, most of whom owe their position to their colleagues in the House of Commons rather than to mass support in the party. And unless they are seriously disunited, neither the conference nor an individual leader can upset their main decisions.

But this does not make the party conference artificial or unimportant. Its discussions show the leaders how the minds of the active rank and file of party workers are moving. It helps those workers, the men who in their spare time collect the subscriptions and do the canvassing, to gain some refreshment of spirit and to confirm their sense of purpose. Above all, it does something to educate the party workers, to increase understanding of the difficulties and compromises inseparable either from government or from day-to-day opposition. Behind it all, it is true, there lurks the conference's occasionally decisive voice either on policy or on personalities. But if this creates the sense of drama and importance, the solid value of the conference lies in the education that comes from discussions in which the speakers are addressing each other, not the party's friends and enemies outside.

Television would quite inevitably make the conference much less of a discussion and more of a show. That would have its compensations. It would encourage moderation and inhibit arguments that are mere appeals to party prejudice. "We believe in socialism (private enterprise); therefore this particular nationalisation (denationalisation) proposal must be approved by all sincere party members" is an argument of some effectiveness if it is put less crudely and addressed to conference delegates. It would not be so well received if they were conscious of a television audience including floating voters. In this and many other ways—including the suppression of personal animosities—television would put party conferences on better behaviour. The danger is that with the excesses it would also remove their main virtues. No party can be entirely frank. The face it presents to the electorate is a continual compromise between its own doctrines and the promises and proposals that about half of the electorate can be expected to approve. Both the doctrines and the right forms of compromise should be subject to frequent reconsideration within the party, and while that cannot be private it will not be seriously and honestly done if it is very public. In this respect, tonight's telefilm would affect the delegates far more than tomorrow's newspaper reports ever do.

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The result would almost certainly be to push the real process of policy-making yet further into the inner recesses of the party machines. At the conference the power of the platform would, normally, be further enhanced. Minorities within the parties could more easily be persuaded not to expose their disagreements in public, and the grip of the machine on the individual would once again be strengthened. The moderation

that resulted might be of a somewhat dubious kind. If there were less discussion, party policies might in the end change by violent explosions instead of by gradual adjustments. And in the long intervening periods the cost of agreement might more than ever be to ignore the issues of principle. Conference delegates who felt that serious argument was dangerous, and uninteresting to television audiences, would not only over-dramatise agreed party points; they might address themselves more exclusively than before to the mere trivialities of public discontents, to unrealistic promises of new popular benefits. The real issues on which the prosperity and security of the country depend would then be pushed yet further out of political discussion. Many politicians would be all too ready to assume that most people view a political programme in the evening not in order to think about the party policy but in order to feel about it.

These are the dangers that the televising of party conferences must present. They are important because the same tendencies are strong already. It is possible, but it is far from certain, that television would make too little difference to weigh against its other advantages. At this stage the need is to set out the conflicting considerations. There is, fortunately, no reason why the parties should make a snap decision.

Two Views of Bank Rate

It is not easy to understand the extent of the panic which has existed during the last week in the money market. . . . It is no doubt a formidable fact that the minimum rate of discount at the Bank is now 5 per cent, whereas it was but 2½ per cent a few months back; and if the present high rate of discount is regarded without the discrimination which it deserves, there is no doubt much in it well calculated to excite alarm. The rise has been so sudden and to a point so elevated as compared with past times, that people are very apt to imagine that there must be some extraordinary and remarkable reasons not known to the public to induce the Bank Directors to raise the rate of discount so high. For our own part, we are rather disposed to regard those facts . . . as the best guarantees against the extreme inconvenience to which we have been exposed on some former occasions. It is the first time that we have seen the Bank Directors act with what we have regarded as a sufficient degree of energy and foresight in the earliest stages of a drain of bullion. . . . If the Bank Directors had acted with the same vigour in the end of 1846 and the beginning of 1847, we should never have witnessed the extreme depressions and panics which prevailed in the April and September of the latter of those two years. In place of watching when a turn had actually taken place in the exchanges, it was the fashion to disregard it . . . as long as the bullion in the Bank was of such an amount as excited no anxiety as to its own safety. . . . Thus . . . we see that at the present time the bullion in the Bank exceeds in amount that held in any former year, except 1852, at this period. But strange as it may appear in the face of such a fact that the minimum rate of discount is 5 per cent, yet there can be no doubt that with the strong adverse current which set in with the foreign exchanges a few weeks ago, the Directors of the Bank exercised a wise discretion.

The Economist

October 1, 1853

Doctors under the Microscope

IN 1944, a majority of doctors approved in principle the establishment of a free and comprehensive health service. In 1948 a smaller majority voted against working for the service constituted by the Act of 1946; of these, two-thirds were general practitioners. By the appointed day nearly the whole of the medical profession had, in fact, joined the service either full-time or part-time. What do doctors think of the service now that it has been in force for over five years?

For general practitioners, an answer can be given. In 1950 the British Medical Association set up a committee to examine and discuss experience of general practice under the health service, and its report was published in the *British Medical Journal* last week. So much has been heard of grievances against the service—on the part of both doctors and patients—that the committee's main finding is fairly reassuring. A field survey among nearly 200 representative practices and a postal inquiry to a larger number of doctors found over half (about 55 per cent) of them reasonably contented—except with their income, which has since been increased by the Danckwerts award. Further, the postal inquiry also showed that only a minority (19 per cent) would like a practice consisting wholly of private patients. Many doctors would like to have mostly health service patients, with some private patients to provide variety and to create a demand for higher standards of medicine. Whatever is wrong with general practice would evidently not be put right by a return to the old fee-paying system, even if it were practicable. A solution will have to be found within the health service, not by jettisoning its main principle. It is good to have this firmly established as the attitude of the medical profession, as well as of all political parties.

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It is, however, important to determine how far the health service itself is responsible for the ills of general practice. As the committee recognises, the decline of the family doctor had set in well before 1948. The big advances in medical science in the last thirty years, though they have enabled general practitioners to do far more for their patients, have inevitably been accompanied by increased specialisation. Doctors have found it quite impossible to keep abreast of all the advances that have been made; and since the application of the advances has often needed the facilities of a large hospital, the emphasis of modern medicine is on the hospital and the specialist rather than on general practice. Doctors have been compelled to send their patients to hospital if they are to have the advantage of many new procedures, and the inevitable consequences have been a loss of confidence in themselves and a fall in their patients' esteem.

Before 1948, therefore, the hospitals were already becoming overloaded and expensive to run; and each new generation of medical students tended to see in specialisation a much more promising career than was offered by general practice, particularly when the bulk of their clinical training was in the hands of specialists.

The national health service is thus not responsible for starting the decline in the status of general practice. But the new report bears out the view that in many ways the service has accentuated the trend. It has done this partly because of defects in its own structure and partly because of a wrong attitude towards it in both patients and doctors. The committee lays great stress on the division of the service into three distinct parts for administrative purposes. The hospitals are organised by one set of authorities, the public health services by another, and the general medical services by a third. In theory, there is scope for co-ordination between them; but in practice the cleavage is sharp. Instead of one health service, embracing preventive and environmental medicine, personal medical care and the hospitals, there are three separate services, whose practitioners are often ignorant of each other's views.

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If the general practitioner comes off worst from this tripartite structure, it is mainly because his responsibilities are greatest. It is to him that ill people first come for advice, and it is to him that they will be returned for treatment, however long an interlude they spend in hospital. Co-operation with the general practitioner is therefore essential if patients are to have continuity of medical care and advice. Instead, a health visitor of the local authority may call on a patient without the doctor's knowledge and give quite different advice from his own. The local authority midwives may persuade mothers to attend the clinics rather than their own doctors for antenatal care—indeed, it is sometimes only by doing so that they can be booked for admission to the local maternity hospital. A hospital may not tell a doctor as soon as his patient has been discharged and needs treatment at home. Sometimes he is not even told when a patient dies in hospital.

This lack of contact with the hospitals is the main cause of the general practitioner's sense of isolation. The health service has encouraged the growth of virtually a separate profession of specialists and specialists in training, often without any knowledge of the conditions and problems of general practice. Before 1948 the general practitioner often had a cottage hospital, where he could place and treat his patients with such specialist help as was needed and available. Moreover, consultants were dependent on the good will of general practitioners for a livelihood.

In the health service, the cottage hospitals are swallowed up by hospital boards, and consultants are salaried. It is interesting to find in the committee's report, and elsewhere, a plea, if not for the return of cottage hospitals, at least that beds should be available in general hospitals for general practitioners' cases.

Although the committee's report is written from the point of view of the general practitioner, it does not think that all but he are out of step. It does not gloss over the shortcomings of those doctors who scamp their work, who regard health service patients as needing no more than the minimum of attention and consequently encourage people to believe that only the hospitals can provide proper medical care. There are some, estimated in the field survey at 7 per cent of those seen—with a higher proportion in the towns than in the country and a higher proportion among the elderly than among the young—whose work is assessed as inadequate. There is also a minority of patients, whose numbers tend to be exaggerated because they turn up so frequently in a surgery, who are determined to get all they can out of the health service. Much more serious is the considerable body of doctors whose work is no

more than adequate because they have neither the time nor the incentive to make it good, and of patients who regard their doctor either as a supplier of drugs or as a turnkey to the hospitals.

It can perhaps be argued that the general practitioner is doomed—quite apart from the health service—and that there is no point in attempting to reinstate him. But if there is one lesson that the health service has taught, it is that hospital care is extremely expensive. Doctors' and chemists' bills together cost the state little more than a third of what it pays to maintain the hospitals, even with the present strict limit on hospital budgets. On this ground alone there is a strong case for making general practitioners more efficient, quite apart from the fact that most people want the personal and continued care that only they can provide. But general practice will not be more efficient if it cannot attract good doctors, and it will not attract good doctors if the present frustrations persist. In so far as improvements in the structure of the health service can remove these frustrations, they should be undertaken. But it may be specialised medicine rather than socialised medicine that represents the graver danger.

Notes of the Week

Labour's Truce

Two things stand out from the Labour party's annual conference, held at Margate this week. The counter-attack by the party's right wing has succeeded; the policy on domestic affairs that last year seemed to be veering far to the Left has been pushed a good way back to moderation. Secondly, with this policy settled, both wings have recognised that a deadlock has been reached in the struggle for power within the party, and have perfectly agreed to call it a day—for the time being. It is also clear that many Labour leaders take seriously the possibility of a general election quite soon, and they are brought closer to the realities of government by the Gallup Poll's evidence that Labour's popularity has risen. All this has combined to make the Margate conference freer from personal dissension than any Labour assembly since the victory parade of 1946. It is too much to describe this state of affairs as peace within the movement. A more accurate description is that of an armed truce; and both sides are well equipped with Syngman Rhee who might reopen hostilities at any time.

Mr Herbert Morrison, with his strong political instinct and his deep loyalty to the Labour movement, made the chief personal contribution to bringing about this truce. On

the eve of the conference, he withdrew from the contest with Mr Arthur Greenwood for the treasurership. This not only cost Mr Morrison what might have been a safe place on the party executive; it also angered his supporters among the trade union leaders, who saw in it one more example of the reluctance of the politicians to do their share in the battle against Bevanism. But it was a sensible move. It removed the one big issue of personalities from the conference. At the same time it ensured the adoption of the constitutional amendment giving a place on the executive to the party's deputy leader in the House of Commons. This brings Mr Morrison back immediately on to the executive, but in a less certain position than he would have had as treasurer. It depends on his being able to hold, session by session, the post of deputy leader. For some time to come, however, he should have little anxiety on this score.

The other elections to the executive reflected faithfully the deadlock within the party. The Bevanites held their existing six seats in the constituency section and Mr James Griffiths retained the other. In the women's section, the anti-Bevanites saw that the place vacated by Mrs Eirene White was faithfully filled by Mrs Mann. In the trade union sector all twelve places went to safe men. One other outcome of these elections is noteworthy. Mr Gaitskill failed to win a place in the constituency group. Had he done so, he would have been a strong candidate for future support from the unions as their next man after Mr Morrison.

All Goes Right

WHEN the distribution of power within the Labour party had been settled on these lines, the Margate conference turned to endorse its executive committee's statement of policy in the "Challenge to Britain." The debate on further nationalisation was confused, but it was certainly the most important discussion on the foundations of its policies that the party has had for a couple of decades. The speeches advocating more nationalisation contained much romanticism and prejudice, but in that they illuminated faithfully the forces struggling to shape a political philosophy. On the other side, the opponents of specific proposals for more nationalisation rarely faced the logical implications of their attitude. They argued the case for going slow in practice without admitting the doubts about socialism in principle that prompt the case. But this again is representative—of the happier side of British political empiricism.

The confusion in debate did not prevent the conference from knowing quite well what it was doing. As one delegate forcibly remarked, the nationalisation of shipbuilding and marine engineering was opposed because of their international ramifications, but the logical conclusion would be that these industries must remain under private enterprise for ever. A Labour conference would still shrink from formally admitting this, for shipbuilding or for many other industries, but it nevertheless accepted the arguments against nationalisation and voted for the policy that commits another Labour Government to nothing but water. All the other proposals were rejected by large majorities.

It is true that the votes were, as always, mostly those of the trade unions. But the size of the majorities indicates that even the political socialists from the constituency parties were by no means solidly for more nationalisation now. Second thoughts have been at work right through the movement since the first joys of opposition swept it leftwards. Indeed, the revival of realism went so far as to bring Sir Hartley Shawcross to the conference rostrum to talk about the next Labour Government in two or three years' time; those who thought that he was dropping out of Labour politics seem to have been mistaken. For the present, however, it is Mr Deakin who has grown most in political stature; it is thanks to him rather than the politicians that the right wing of the Labour party has won a famous victory and now has a policy that, for all its defects, is settled and is what it believes.

Bases in Spain

BOTH the Spaniards and the Americans have had to compromise in order to reach agreement on American military bases in Spain. This is not surprising. When the negotiations began two years ago each side pitched its demands high because it thought the other was desperate for agreement; since then each has learned better and scaled down its requirements accordingly. General Franco has had to be content with much less economic help than he originally hoped for; and his former dream of getting his

army completely re-equipped and modernised at American expense has proved if not illusory at least premature. The Americans, for their part, have agreed to pay out more than it is believed they originally intended, and they have had to make a good many concessions to Spanish national pride.

All the same, both sides stand to gain by the agreement. The acquisition of naval bases, particularly at Cartagena and Cadiz, will improve enormously the facilities available to the US Sixth Fleet and will confirm the United States' standing as a major Mediterranean naval power; while the air bases, near Madrid, Barcelona and Seville, will allow B47 bombers to be stationed within range of the Urals, but deep enough within the western defence system to be relatively sheltered from attack. General Franco, on the other hand, is to receive indispensable outside help in building up



his country's defences—particularly its air defences—with the minimum of outside interference. Moreover, the injection of even \$85 million of economic aid, to be spent mainly on improving transport and communications, together with the money spent on the construction of the bases and the employment this will provide, should give a much needed fillip to the Spanish economy. But no lasting improvement is likely so long as the Spaniards are so chary of admitting foreign capital; in spite of American promptings, the share of foreign capital in any enterprise is still limited to 25 per cent.

The Caudillo has succeeded in ending Spain's long diplomatic isolation. But his foothold in the western camp is only precarious; there is no question of admitting him to Nato, either by the front door or the back. Nevertheless, he will no doubt reap increased prestige at home from the hard bargain he has driven with the Americans. The western democracies will not welcome this by-product of an arrangement whose only justification lies in the military and strategic necessities of the West.

Alternatives on the Canal

SITUATED, emotionally as well as physically, rather nearer to Persia than to Spain, President Neguib is more provident about foreigners than the former has lately been,

rationing does not depend on agreement with the Ministry of Agriculture. Butter, as everyone now recognises, will never be plentiful at the present subsidised price. Derationing must mean a sharp jump to an economic price. Politically, that cannot be done without more, and better, margarine; margarine depends on fats and oils, and they depend on dollars. The Ministry estimates that a supply of margarine sufficient for safety in derationing would require £22 million of extra fats and oils, of which £10 million would need to be in dollars. But dollars were found for sugar, and discontent at the continuance of the rationing machinery is bound to grow when there is so little left for it to do.

Official Sources

A CAREER in the Civil Service is less attractive to able young men and women than it was before the war. If there were any doubt about this, it is removed by the Civil Service Commissioners, who published this week their report for the three years that ended in March, 1952. They did not, indeed, encounter any difficulty in filling the vacancies in the top grade of the service, the administrative class; but they do consider that the number of outstanding candidates has declined.

For most grades of the service the position is worse. Throughout the period covered by this report it was impossible to fill all the vacancies in the scientific classes. Salaries had to be increased, and the upper age limit raised, in order to rope in enough engineers, surveyors and architects. For postmen the bait of almost immediate establishment, with a uniform on the nail, had to be substituted for the previous system of starting men in a temporary capacity for six months. The clerical classes have perhaps suffered most from chronic shortages. A quarter even of those who sat and passed the entry examinations never took up their appointments. The executive class, which recruits its candidates at eighteen, was about the only one to get what it wanted.

The chief political interest of the report lies in the sources from which the senior civil servants of the future are recruited. The new methods of selection for the administrative class used since the war—partially discarding the traditional written examinations—have made little difference. The spread over public and grammar school boys is wide; it is rare for any school to provide more than one entrant a year, though over the three years a few schools—notably Eton and Christ's Hospital—stand out. For the Foreign Service alone, a few "better" schools still provide most of the recruits, and the predominance of Oxford and Cambridge among the universities is far greater than in the home service. The combined figures for the three years are:

	Foreign Service	Home Administrative Class
Oxford	31	72
Cambridge	15	45
London	2	24
Others	2	18

There is still little evidence on which to judge the value of the new selection method, but it certainly cannot restore

the diminished appeal of the public service. In part that reflects full employment, relatively lower salaries and overwork, but probably the intangible quality of prestige is also important: officialdom is now too widespread for its poohbahs to have suffered no depreciation.

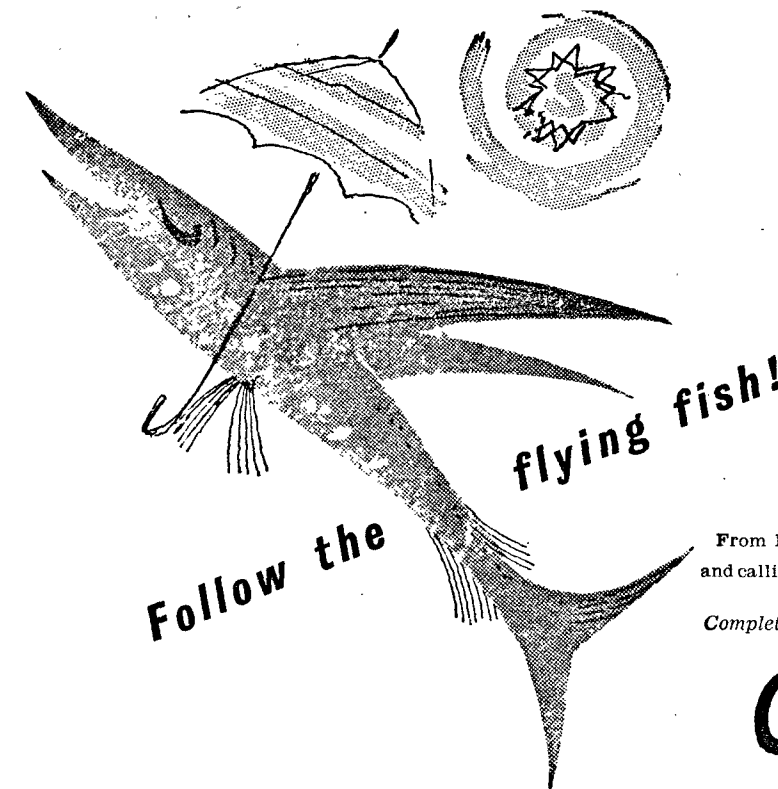
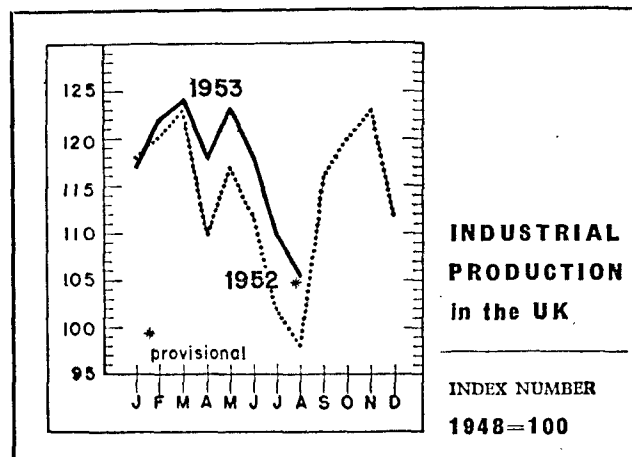
From Bricks to Earth

THE Ministry of Housing has now shifted the emphasis, within its search for economies in house-building, from the bricks of which the houses are constructed to the ground on which they are built. The latest supplement* to the Housing Manual, published this week, is principally concerned with ways of reducing the costs of land, roads and services. In the early postwar years great open spaces were the fashion; pairs of houses either sprawled among grassy expanses or exposed their longest frontages to the street, while the roads themselves were more suited for heavy traffic than for fetching fish and chips. This was not only wildly expensive in land, in road construction and in the costs of sewers and service pipes; often it was also untidy and both architecturally and socially displeasing.

The handbook attempts to show how houses can be more concentrated without a needless sacrifice of comfort or amenity. The experience of the new towns, and particularly of Harlow, is heavily drawn on. The two main points are, first, a reduction in the length of frontages and, secondly, the grouping of houses in cul-de-sacs or with access by footpaths from a more distant road. Both methods lower the costs of roads and services per house and reduce the total area required, without necessarily affecting the size of the house or garden. It is claimed that such economies can reduce costs per house by as much as £50. When put into practice by a skilful architect the results can be extremely satisfactory.

Last year the Ministry was hammering away at the need to reduce costs by building smaller houses, and considerable progress has been made in this direction; over three-quarters of the 3-bedroomed houses recently approved by the Ministry show savings of about £150 each—equal to 2s. 8d. a week in rent. Probably this change, for the house

* Houses, 1953. HMSO. 3s.



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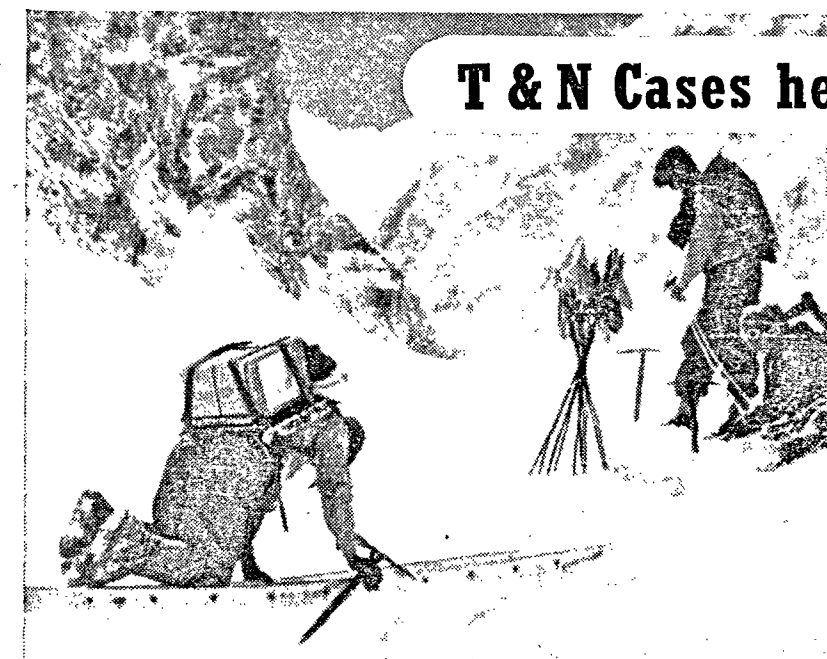
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with three bedrooms, has gone far enough. At the same time local authorities are also building a more reasonable proportion of still smaller dwellings, with only two bedrooms, for old people and small families. All these things are helping at least to keep some check on the volume of resources absorbed by the Government's housing programme.

Polish Church Beheaded

THE struggle between church and state in Poland has reached a new climax. Shortly after the first public trial of a Polish bishop—Monsignor Kaczmarek of Kielce—for alleged espionage and "anti-state activities," the Communists have struck at the head of the Roman Catholic Church in Poland. Last weekend Cardinal Wyszyński, the Primate of Poland, who from the pulpit had indirectly protested against the condemnation of Bishop Kaczmarek, was suspended from his duties, arrested and "allowed to retire to a monastery"; he is, it seems, to suffer the fate not of Cardinal Mindszenty of Hungary, but of Archbishop Beran of Czechoslovakia.

Some such developments as these were bound to come sooner or later. The Polish bishops have never interpreted the 1950 church-state agreement in the way the Communists intended. Above all they have never wavered in their allegiance to the Vatican, and they have failed to persuade the Pope to set up permanent Polish dioceses in the regained Western Territories. The real villain of the piece at Bishop Kaczmarek's trial was indeed the Vatican; according to the Communists it "has always backed German militarism" and is now doing a great deal to perpetuate uncertainty over the future of the Western Territories. From every point of view, domestic as well as international, the Polish government must be extremely anxious to end this uncertainty.

The Polish Communists realise that to attack religion as such is a hopeless undertaking. On the contrary, they insist over and over again that there is full freedom of religious worship in Poland. But they clearly intend to make every effort to impress on both clergy and people that their duty to the Pope does not extend beyond purely religious matters. At his trial Bishop Kaczmarek told the court that he had "undergone a spiritual liberation from harmful political influences" and "the Bishop is now on a different road from the Pope." His words were echoed by one of the defence witnesses, who declared:

As Catholics it is our duty to obey the Head of the Church in matters of religion, morals and clerical discipline; but in political and economic matters, and therefore in the matter of the Western Territories, we have freedom of action.

The trial of Bishop Kaczmarek and the coup against the Primate are plainly designed to sow fear and confusion among the bishops and thereby make them more amenable to the regime's wishes. It looks as if they may have had some success. In a special declaration issued after the suspension of Cardinal Wyszyński, the Polish Episcopate, under its new chairman, Bishop Klepacz, appears to accept the new situation and to toe the party line. This is the biggest capitulation the Polish bishops have yet made to the Communists.

Jugoslav Bishops in Trouble

PRESIDENT TITO has at last seen fit to condemn the "physical assaults" on the clergy which have been occurring with distressing frequency in Yugoslavia in recent months. Both Catholic and Orthodox church dignitaries have been the victims of what can only be described as organised hooliganism; in recent weeks six Catholic bishops or other high dignitaries were assaulted while going about their normal duties. The local Communists who are reported to have been responsible for these attacks have recently been under fire from above for their lack of political zeal; they have, it seems, chosen this method of proving their enthusiasm.

The incidents have been glossed over and condoned in the Yugoslav press on the grounds that the clergy involved were either engaged in political activities, or were wartime collaborators who should not take any part in public life. Perhaps the authorities would not have been so inclined to turn a blind eye if relations between the churches and the state had not in any case been taking a turn for the worse. They are seriously worried by the increase and persistence of religious practices even among Communist party members; in this year's census 86 per cent of the population described themselves as belonging to some religion. This gives an added urgency to the government's efforts to achieve a *modus vivendi* with the churches by persuading the clergy to join the semi-official priests' associations; and the refusal of both the Catholic and the Orthodox bishops to give their official blessing to these associations may well have helped to make the authorities unsympathetic to those who have been pelted with eggs and tomatoes or even ducked repeatedly in the sea. Moreover, the more liberal tendencies recently shown by Marshal Tito's government have brought the church-state conflict into the open and have undoubtedly encouraged the clergy to walk less warily. The Roman Catholic church in particular is making its contribution to the pre-election propaganda campaign and is throwing its weight against the government. This, however, is no excuse for condoning hooliganism. On the contrary, in the more liberal atmosphere which, to his credit, Marshal Tito has created, such excesses are particularly inappropriate; as he himself now recognises, they only suggest that the Communists are unable to oppose the churches with more civilised weapons.

Japan's Defence Force

THE agreement between Mr Yoshida and Mr Shigemitsu, who are respectively the leaders of the Japanese Liberal and Progressive parties, to turn Japan's "national safety corps" into a "defence force" marks a decisive step in the rearmament of Japan. The existing force, which during the Allied occupation was first established as a "police reserve," has retained in theory since the peace treaty the character of a police organisation for internal security only, though it has acquired heavier weapons. The transformation of this service into a national army openly undertaking the task of defence against external attack has been impeded by three

factors: first, the prohibition in Japan's postwar constitution against the maintenance of armed forces; second, the anti-rearmament stand of the two Socialist parties, which hold between a quarter and a third of the seats in the present Diet; and third, the unwillingness of the business classes, mainly represented by Mr Yoshida's Liberal party, to accept heavier taxation. Mr Shigemitsu's Progressive party, however, has come out definitely in favour of rearmament, and though it lost seats in the last general election, it has strengthened its position politically because the Liberals, who also lost seats, have become dependent on its support.

The Progressives have now, it appears, been able to win over Mr Yoshida to the essentials of their policy, and, somewhat paradoxically, the agreement between the parties of the Right has been aided by the campaign which the Socialists have been carrying on against the presence of American garrisons. The Socialists have been doing their best to whip up nationalist feeling against America and have had no little success in creating a very embarrassing situation. But as the great majority of Japanese wish to see Japan defended in one way or another, the anti-American campaign of the Left has promoted Japanese rearmament, for the only alternative to American garrisons is that Japan should become strong enough to defend itself. This development is, in fact, entirely in accordance with the wishes of the Americans, who would greatly prefer to see the Japanese in a position to look after themselves, with an American pledge of such additional assistance as might be required in the event of war.

Troubles in Nyasaland

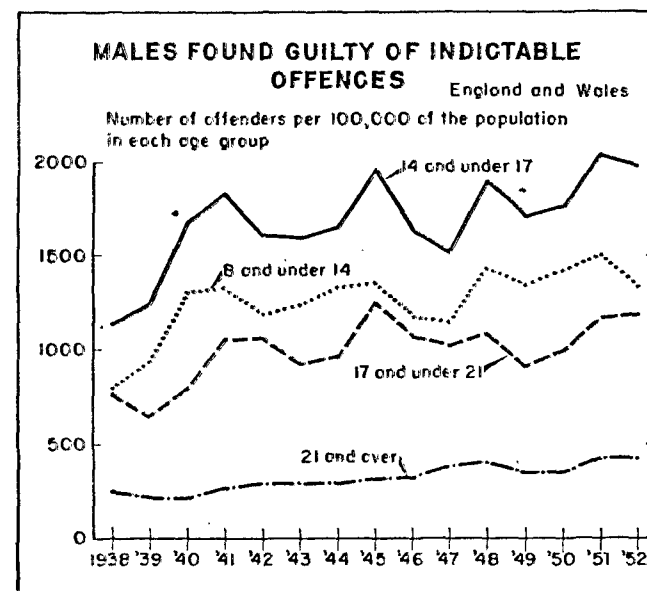
THE latest reports from Nyasaland encourage the hope that the worst of the rioting may be over. After his last visit to the disturbed areas Lieutenant-General Sir Alexander Cameron, the deputy Commander-in-Chief in East Africa, said that though the "disease" was still there the situation had greatly improved. Disturbances have never spread outside those areas in the Southern Province where there are long-standing land troubles, and where for historical reasons the native authorities are government-appointed and not traditional. Fears of federation have been only a contributory factor in the situation, although they are a good talking point for agitators who can attribute any unpleasant occurrence to the new dispensation. Itinerant agitators have whipped up demonstrations against those native authorities who co-operate with the government, and have then disappeared before the security forces arrive. Meanwhile the crowds have grown angry and refused to disperse when ordered to do so; inevitably there has sometimes been bloodshed.

The Nyasaland African Congress, which is the Africans' political organisation, denies that it has had anything to do with the outbreak, and in fact some of its leaders have co-operated with the government in trying to stop the riots. Although they campaigned hard against federation and called a boycott by Africans of the organs of government, they have always publicly advocated a policy of non-violence. It is encouraging that Congress now seems prepared to call off its non-co-operation campaign and, like the Africans in Northern Rhodesia, is turning instead to demands for increased power on the legislative and executive councils.

Another hopeful sign is the formation of a new African party explicitly recognising that federation may bring benefits and ready to accept the *fait accompli*. Its power and following have yet to be tested; but it is to be hoped that if a body of moderate African opinion does emerge, its political aspirations will be given adequate recognition.

Crime and the Police

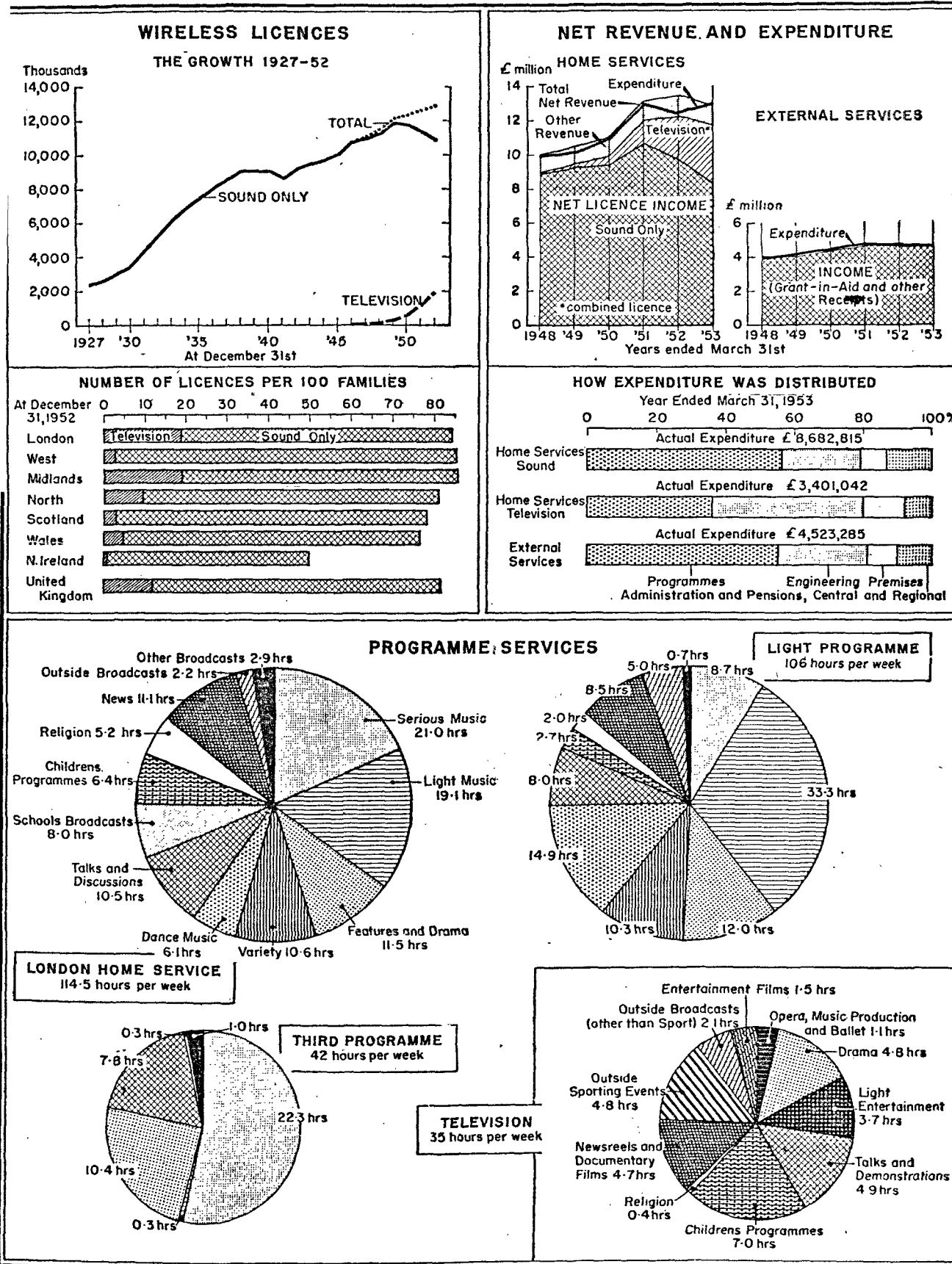
THERE is little satisfaction to be found in the annual statistics of crime in the United Kingdom, published by the Home Office at the end of last week. They show that the volume of crime—of crime sufficiently serious to be indictable—is still lamentably high. In 1952, 260 people in every 100,000 of the population over the age of seventeen were guilty of an indictable offence, a figure to be compared with 259 in 1951, 222 in 1950, and 148 in 1935. House-breaking, crimes of violence and sexual offences all increased. There was a slight fall in cases of larceny, receiving stolen goods and in various categories of fraud. But if there is a bright spot in the picture, it is that fewer crimes were committed by people under seventeen. It seems



that the wave of characters unsettled by the war is rising up the age scale, leaving something of a trough behind it. But, even if that is so, it follows that all the efforts of the last seven years have not cured the solid core of addicts to crime created by wartime conditions. That is perhaps the most serious conclusion of all to be drawn from this report.

A second feature of the report is the apparent inability of the authorities to improve on the rate of detection. Before the war just over half the indictable offences known to the police were cleared up. The rate for 1952 was 47.5 per cent, against 47.1 per cent for 1951. In crimes of murder, however, the authorities were much more successful. In the 132 cases of murder last year, 108 suspects concerned with 126 murders were known to the police; 72 of them were arrested and 36 committed suicide before

The BBC



arrest. This high proportion of successes reflects the inherent difference between many murders and other crimes, which makes the murderer easier to detect than the thief. There is the further point that the police can, and do, put out a much greater effort to catch the murderer than any other class of criminal. To the extent to which this is the case, the inference is that the police forces are still under strength, not only on paper but in operation, and from there the argument could lose itself in the swamps of motoring offences and the cost to the community of the number of policemen engaged on the supervision of urban parking.

The Policeman's Lot

At the same time as the crime returns were published, the Home Office announced the setting up of a new negotiating body for pay and conditions of service in the police forces. At last the Police Federation has won its argument that the police should have the equivalent of a Whitley Council. The new body will have an independent chairman, twenty-six members drawn from the police authorities and twenty-seven from the police forces. It will have power to make agreements but not to bind the Home Secretary or the Scottish Office. It will not be competent to deal with discipline or the promotion of individuals. But the council will, it is to be hoped, make a serious study of all the factors that influence recruitment into the police forces, of which wages are only one.

Wise Man of Berlin

THE death of Professor Ernst Reuter is not a loss for Berlin alone. The western leaders, including those in Bonn, have lost the counsel of a wise, experienced man who knew the Russians far better than most Soviet experts. His own short career as a Communist party leader over thirty years ago had ended when he rejoined the Social Democrats in 1926, but it stood him in good stead when it came to dealing with Russian and German Communists on his own home ground. The sober courage which he showed was due not only to his own personality, but to his conviction that initiative and firmness pay in dealing with Moscow. He believed this even when Stalin was at the head of Soviet affairs; and he was far more confident after Stalin's death and the revolt of the East Germans in June.

Even before the fall of Beria, Professor Reuter argued that the government of the Soviet Union must be much weaker than it was under Stalin. Rule by triumvirate, he pointed out, was inevitably unstable and difficult, and old rivalries must eventually wreck collective government in Moscow. From this, he argued that the best policy for the western powers was to press the Soviet rulers hard to reunite the western and Soviet zones of Germany. He would have liked a demand to be made for all-Berlin elections at once, and he thought the western high commissioners ought to assert their right to show concern over bad conditions in the Soviet zone. The Lord Mayor of Berlin

was the moving spirit behind the distribution of food parcels to East Germans last summer, and he had recently been negotiating with the Americans about supplies of clothing for the same purpose.

Events have justified Professor Reuter's calculated disregard for risk. Berlin is, after all, the place where, in 1949, Stalin had most decisively to acknowledge defeat. Great credit is due to Professor Reuter for this victory, but it is only fair to recall that an essential part was played by General Clay, a man unlike him in almost every way; and that Berlin would still have been lost if it had not been for American funds to bolster up its economy. It speaks well for the open-mindedness of the Americans that—in spite of Senator McCarthy—Professor Reuter, the Socialist and former Communist, had a great success this year on his visit to Washington. And he himself came back convinced that President Eisenhower had consulted his conscience and had made up his mind to do everything possible to reach real peace with Russia. It will be a miracle if the Socialist ranks in Berlin produce another Lord Mayor who can achieve such good relations with the Americans.

Freedom for the German Press

A HEARTY protest from the Bonn correspondents of the German newspapers has forced Dr Adenauer to deny that he intends to set up a super-ministry of information and propaganda that would revive some of the practices of Dr Goebbels. Reports had leaked out that Dr Lenz, state secretary in the Chancellor's office, was aiming to co-ordinate the work of the Bonn foreign office news department, government propaganda, the independent news agency and political work among the Germans behind the iron curtain. It was even feared that he would also take over the security services now run by Dr Otto John, who escaped to England after taking part in the July 20th plot against Hitler.

For several years past, German government propaganda has been expanded over the world. Bulletins, a "diplomatic correspondence" and short-wave broadcasts now spread the official view, with special regard to the United States and Latin America; and a draft press law with penalties for sensationalism or malicious charges damaging to the state is under consideration. The tendency to exert influence on the press is, indeed, unmistakable.

Dr Lenz himself suffered in a concentration camp and is close to the Chancellor today, while the Bonn foreign office press department is said to oppose his plans. But the fact remains that Dr Adenauer's ministries (and the foreign office in particular) contain large numbers of men who held responsible posts under Herr Ribbentrop or his colleagues. Though they are loyal supporters of the present regime, they may be expected to have at least the average German's urge to suppress critics and conduct one-sided propaganda. Better machinery for co-ordination with the western governments as regards political warfare will have to be set up, as the confusion over food gifts to East Germans proved; but this should not be made the excuse for controlling the West German press. In spite of this week's victory, the German journalists will have to fight for their freedom time and again.

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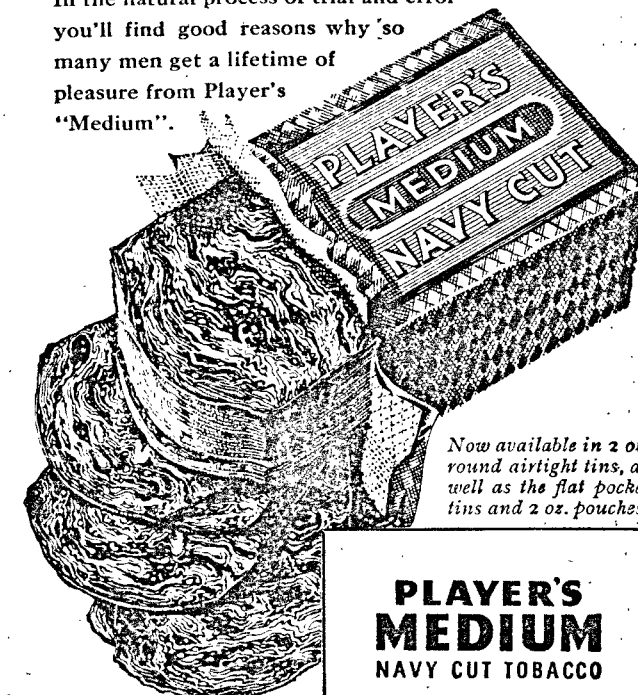
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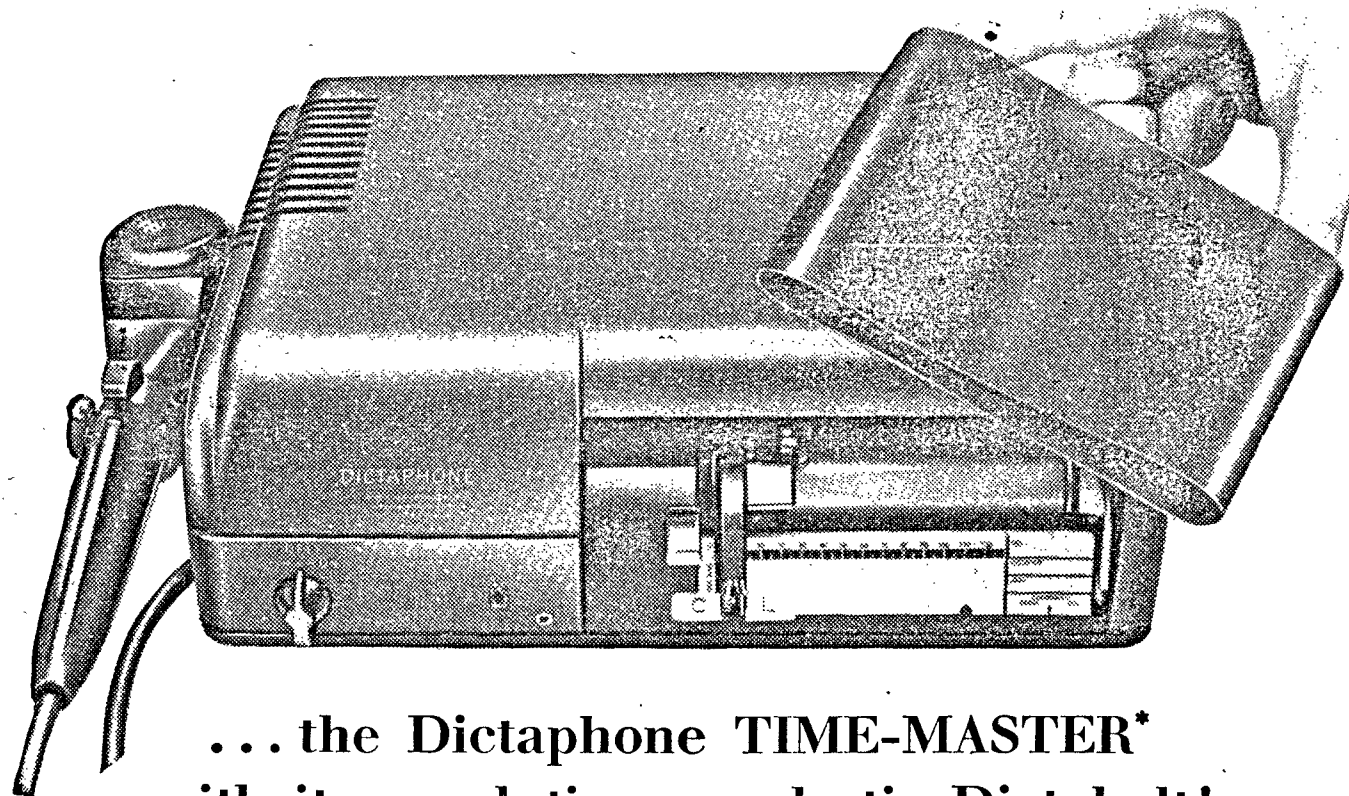


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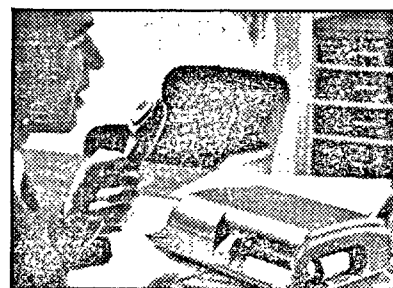
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Letters to the Editor

Pay as You Wear

SIR—In the informed article on various forms of working-class credit for clothing, published in your issue of September 19th, you write that the Drapers' Chamber of Trade denounces check trading as an interloper into legitimate commerce—and bids members copy its methods. This comment misconceives its attitudes. The Drapers' Chamber of Trade has not been concerned to make moral judgments about this or any other form of credit trading. The latest public statement it made on this matter was in 1949, in conditions of price control; it pointed out to its members and to the check-trading companies that out of maximum retail margins on utility goods ranging from 20 per cent to 27½ per cent on retail selling prices the payment of 12½ per cent or more of the selling price to the check trader for what was, in effect, the introduction of new business was an uneconomic price for the retailer to pay, especially as in conditions of scarcity the business might well have been obtained for cash anyway.

Since the abolition of price control the position has not greatly altered. If retail margins have somewhat widened competition has kept them in check; the costs of retailing have risen and there has been some tendency for the check trader to drive a harder bargain.

Many shopkeepers, including members of the Chamber, have built up successful businesses by selling their goods on the one hand for cash and on the other for checks. The check trading companies not unnaturally require them to sell the same goods to customers tendering checks as to those paying cash. Such traders claim that many customers will tender a check for, say, £5 for a coat and pay the balance in cash. The increased business resulting and the greater volume of settlement discounts arising make it possible for them, they claim, to operate this system. It is undeniable, however, that the introduction of checks tends to drive away the cash business and a shopkeeper can only successfully maintain a business based on the receipt of checks if the market rate of discount demanded by the check companies is low enough. For these reasons in some towns, notably Hull, certain retailers have successfully joined together to form their own companies to provide this facility at lower rates. Other retailers issue their own checks. This would seem to us a suitable way of improving the retailers' bargaining position.—Yours faithfully,

JOHN RAMAGE,
Director, Drapers' Chamber of Trade
London, W.1

Farmers' Fury

SIR—Your comment on the farmers' objections to the extension of the deficiency payment principle to fat stock marketing reveals a *sancta simplicitas*.

May I suggest that you should reconsider the problem bearing in mind that, if I want to sell my wheat, I can take a sample to market in my pocket, and, if I do not like the price, can keep the wheat with every prospect of its improving in price thereby; but if I take a beast to market and fail to sell him the costs of transport there and back and of feeding him till another sale will probably land me in a loss.

The problem of marketing lies at the root of the adequate production of perishable articles, and is not to be solved by academic pronouncements about the blessings of competition, or you will find that there are no competitors.—Yours faithfully,

G. R. Y. RADCLIFFE
New College, Oxford

[The perishability of meat indeed lies at the root of the matter, for the farmer and also for the consumer. It makes the consumer concerned to get regular supplies, and this is reflected in the fluctuations of prices. The farmer who takes his beast to market when few others are doing so performs an extra service and gets a good price. The stick that operates with this carrot falls on the farmer who goes to market when supplies are large. A meat market is not unique in this respect, and some competitors usually remain in business.—EDITOR.]

Ceiling for Houses

SIR—Once again it is taken for granted (in your issue of September 26th) that private building of houses costs the Treasury nothing; while I have no objections to private ownership, I feel that the reasons usually put forward are not entirely accurate.

It has always been assumed that the ownership of houses brings in an annual income, either in cash or by benefit derived from occupation, and in either case tax is payable. Before the war this placed house ownership in line with any other investment, but today the gross annual sum which a house is deemed to be worth is so low in relationship to the capital value that the income tax received by the Treasury must be lower per unit of capital than for almost any other form of investment.

It may be that this state of affairs will one day be adjusted, but in the meantime low assessments of annual values represents, in effect, a concealed subsidy which should be taken into account when presenting facts and figures to support arguments on housing.

It will come as a nasty shock for mortgagees if annual assessments are ever again brought into line with capital values. At present the mortgagee usually gets considerably more tax relief on the interest he pays than his liability under Schedule A.—Yours faithfully,
MORTGAGEE

Sugar's Cinderellas

SIR,—In discussing the new International Sugar Agreement in your issue of August 29th, you have unfortunately overlooked a central link between American sugar imports and the "free market." When commodity prices generally are depressed, US sugar consumption tends to be low, its beet sugar production high, its imports from Cuba doubly reduced, and correspondingly more sugar is left for free-market importers. On a rising market, the United States absorbs more Cuban sugar and less remains for the free market. These perverse fluctuations in available supplies, quite as much as changes in demand, can and do generate variations in the free market price.

Difficulties thereby created for the agreement would endanger the top rather than the bottom of the "zone of stabilised prices." The floor in any case is implemented not by guaranteed importer purchases, as under the International Wheat Agreement, but merely by lower export quotas, heavier production restriction in countries enjoying export quotas, and in the end, presumably, a lower target price. Nor are there, as in the wheat agreement, specific allocations of supplies among eager importers at the ceiling. But the sugar agreement does make minimal provision against the risk of free market shortage. Exporters must hold reserve stocks, earmarked to meet increased free market requirements at the call of the council. Besides, a council request that the Cuban Stabilisation Reserve (now held for future disposal in the US) be made available instead to the free market must be "considered" by Cuba. In the past, out of obvious long-run interest, Cuba has attempted to fill any increase in its US quota, regardless of incidental effects on the free market. Despite a somewhat contrary obligation under the agreement, Cuba can hardly be expected to act otherwise in the future.—Yours faithfully,

VLADIMIR P. TIMOSHENKO
BORIS C. SWERLING
Stanford University,
California, USA

Say or Quesnay?

SIR—Page 799 of *The Economist* of September 19th bears the following statement: "The French economist Say visualised such a *tableau economique* two hundred years ago."

I am surprised at you!—Yours faithfully,
TOM HOPKINS
Cwmgwrach, Neath, Glam.

[Pecavimus.—EDITOR.]

Books & Publications

Asians Look at China

WINDOW ON CHINA.

By Raja Hutheesing.

Verschoyle. 191 pages. 12s. 6d.

THROUGH THE IRON CURTAIN VIA THE BACK DOOR.

By U Kyaw Min.

Ernest Benn. 287 pages. 10s. 6d.

BOTH these books are of real interest to all concerned with the new China. Both are by Asians, and the authors are therefore free from the emotional limitations and feelings of guilt or condescension that afflict so many western writers in dealing with the Far East. Moreover, both authors have consistently tried to penetrate the official smokescreens and to give a factual picture of what they saw with their own eyes.

To say that the first of these books disappoints in some respects a reflection not on the author, but on officialdom in China. Mr Raja Hutheesing, having undergone the ennui of a conducted and supervised visit to China as a member of an unofficial delegation from India in 1951, went back the following year as a press correspondent in the hope of being able to get away from his official guides and of seeing what really lies behind the propaganda façade. This he very rarely succeeded in doing, but a trained observer can learn also from the amount of effort taken to conceal things from him. He cannot give us the figures behind the percentages or extensive factual evidence of the success or failure of the regime; but he is able to show where there are grounds for doubting official claims, and his persistent questions occasionally succeed in catching his subjects off their guard.

Raja Hutheesing is intensely interested in developments in China, since there is great similarity between its problems and those of India. Both have emerged during the last decade from the limitations of colonialism, and both have to integrate far-reaching plans for raising the standard of living of the peasant, for water conservancy and irrigation, for increasing agricultural output and for industrialisation. Each should have much to learn from and to teach the other. He comes to the conclusion that whereas China may achieve an initial material success, the regime is sowing the seeds of its own destruction.

He is greatly concerned that international communism is seeking to disrupt the freedom of Asiatic countries by painting false pictures of China and that the millions of Asia are thereby being slowly led to accept the principles of a totalitarian dictatorship which will deny the very things they seek. In 1952 China

started a call for Asian unity with the emphasis on friendship with India. Raja Hutheesing is convinced that this is an attempt to counterbalance the risk of Russian domination and to achieve regional collective security against both East and West. It would hardly be reasonable to expect to find such views as these supported by a complete chain of reasoned argument, but coming as they do from an Indian observer of the China scene they are most certainly thought provoking.

There are some extremely interesting chapters in this book. Land reform is a major issue throughout the East and China is a country where it has been forced through with great speed and ruthlessness. Raja Hutheesing concludes that it was more a political measure than an attempt to improve the life of the people. He was conducted through the germ warfare exhibit, which of itself he felt proved nothing, and his pointed questions to the commission produced nothing but evasive and hostile tirades. One of the rare occasions on which he appears to have been allowed to move with freedom was on a visit to Shanghai when he was able to talk individually with a number of the remaining foreign business men, whose views he gives.

U Kyaw Min did not enjoy even the limited amount of free movement obtained by Raja Hutheesing. His glimpse of the Communist world was achieved by his agreeing to join the Burmese delegation to last year's Moscow economic conference, and he was closely shepherded throughout his journey. However, he took every opportunity to linger not only in Russia but also in China, through which he passed both in going to Moscow and in returning to Rangoon, and he, too, sometimes succeeded in shaking off his pertinacious and often stern mentors.

His book is all the more interesting because he makes little attempt to judge broad issues on the basis of his few weeks' experience. On the contrary, what he has written is virtually a diary, in which he records the smallest everyday details with charm and humour. Good things and bad things are thus chronicled exactly as they occurred, and when U Kyaw Min encounters something that he fails to understand he describes it with modest objectivity instead of trying to fit it into a preconceived idea. One result of this engaging technique is to give an extraordinarily vivid picture of the niggling and almost infantile restrictions to which even approved foreign visitors are subject in Russia and China.

THE ECONOMIST, OCTOBER 3, 1953

Murder—of Innocents?

HANGED—AND INNOCENT?

By R. T. Paget and Sydney Silverman. Epilogue by Christopher Hollis. Gollancz. 278 pages. 12s. 6d.

THIS book is a tract; that is a statement of fact, intended neither in praise nor blame. It has been written by three members of Parliament who oppose capital punishment and desire its abolition. Two of them, Mr Paget and Mr Silverman, use as their argument—almost as their weapon—the facts of three comparatively recent murder cases, in each of which, they assert, there was some doubt if the man executed was guilty. The third, Mr Hollis, writes a more conventional—at least a wider—attack on the institution of capital punishment. He believes it to be wrong, and he says so. Such a book, published within a week of the report of the Royal Commission, is certainly topical.

Of the three murder trials discussed in the book, Mr Silverman takes the case of Walter Graham Rowland, Mr Paget those of Derek Bentley and Timothy John Evans. Mr Paget is not only a partisan; he writes as a partisan. Derek Bentley was hanged because he had joined with the boy Craig in a criminal enterprise at Croydon which culminated in the shooting of a policeman. Mr Paget thinks that the joint enterprise was over before the policeman was shot and that therefore Bentley was legally innocent of the crime of murder. He feels that, in any case, Bentley should not have been hanged because he was young and stupid and could not weigh up the consequences of what he was doing. Over the fantastically involved story of Evans and Christie, whether Evans murdered his wife and child or made false confessions that he had, knowing that Christie had murdered one or both of them, Mr Paget is even more emotional. One is either swayed or repelled by the partisan in Mr Paget.

Mr Silverman's case is more closely argued. Rowland was accused of murdering a prostitute in Manchester with a hammer. After his conviction, a man named Ware confessed to the murder; there was an inquiry by a KC; Ware's confession was withdrawn; and Rowland was hanged. Four years later Ware attempted to murder another woman at Bristol with a hammer. He was found guilty but insane and is now in Broadmoor. What Mr Silverman does is to underline a number of unsatisfactory features in the original trial and in the investigation of Ware's confession, and to leave behind, no doubt intentionally, the not entirely novel suspicion that on occasion the police do make up their minds in advance and can be loth to change them afterwards. That is not surprising; it is still disturbing. But all Mr Silverman says over Rowland, and all Mr Paget says over Bentley and Evans, is this: if you hang a man for murder and afterwards find out that you may well have been mistaken, there is nothing you can do about it. Is that argument sufficient to destroy the case

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for capital punishment? They say that it is.

Capital punishment is a moral question and moral questions demand individual answers. This book is solid enough to be thought of as a supplement to the report of the Royal Commission and as such to be read.

Diplomatic History

THE ORIGINS OF THE WAR OF 1914, VOL. II.

By Luigi Albertini.

Oxford University Press. 727 pages. 63s.

THIS is diplomatic history with a vengeance. Dr Massey's translation of the late Senator Albertini's second volume consists of 688 large pages devoted to the month between the assassination of the Archduke Francis Ferdinand and the Austrian general mobilisation. He who plods may read what A told B to say to C about D—and how B got it slightly wrong by accident or design.

It must be said that, especially in the opening chapters on the planning, execution and immediate aftermath of the assassination, Albertini reveals a narrative skill which some writers of detective fiction may well envy; and throughout this work he has clearly been at great pains to get at the truth by squeezing the last ounce out of a comparative study of the complex mass of documents and by questioning surviving persons of the drama. He orders his material with skill and without rancour, but the result cannot be anything but intricate, and there are few self-contained incidents to relieve the reader. One such incident is, however, provided by the sudden death of the Russian Minister to Serbia, the result of a heart attack in the house of his Austrian colleague. The dead man's daughter, summoned to the scene, went round sniffing in vases and carried off two cigarette ends to be tested for poison. The Russian Minister's death had the incidental result of depriving the *entente* powers of senior representatives in Belgrade, since the British Minister was on leave and the French Minister was being changed.

Albertini is careful to distinguish between the origins of the war and the guilt of individuals for its outbreak, but for few of the actors involved has he much sympathy. Of the more prominent politicians only Tisza, the Hungarian Prime Minister, escapes condemnation for either dishonesty or stupidity. While the principal personages of the central powers are the most heavily censured, others come in for severe criticism; upon San Giuliano Albertini pours out the vials of wrath and contempt, and Grey (with all his ambassadors except Buchanan in St. Petersburg) is portrayed as betraying complete incomprehension of the state of affairs. Of the diplomats, Paléologue in St. Petersburg and Tschirschky, the German Ambassador in Vienna, rank as villains as opposed to the two Cambons at the other end of the scale.

This exposure of human frailties is all

the more depressing in a book of this kind, where the action of the drama is entirely moved by the deeds or omissions of the various characters. Other forces do not enter into Albertini's scheme of the month of July, 1914. In his indictment Albertini doubly underlines the failure of nearly all concerned to realise that mobilisation meant war; those who wanted at the last moment to put their policies into reverse had in fact already gone too far without realising the extent of their commitment.

Tudor Political Thought

POLITICAL THOUGHT IN ENGLAND: TYNDALE TO HOOKER.

By Christopher Morris.

Oxford University Press. 220 pages. 6s.

MR MORRIS was faced with a particularly difficult task in writing this volume for the Home University Library. For although its achievements in other fields were rich and varied, Tudor England produced very little political theory in the strict sense. Hooker at the close of the period attempted the grand articulated treatise expounding fundamental principles, but he is the only thinker to whom Mr Morris is able to devote a whole chapter. Some have held that it was because Tudor rule was so successful that fundamental principles were little discussed. Yet at the time that rule seemed much more precarious than it does in retrospect, and as Mr Morris shows there was an abundance of political controversy and propaganda. Most of this discussion took the form of an appeal to precedent and not a systematic examination of principles. Mr Morris candidly recognises this; and he has been extremely successful in elucidating the political ideas of this period without oversimplifying them. To do this he has had to range widely, drawing his material from Parliamentary debates, sermons, pamphlets and poetry.

Mr Morris gives coherence to his book by taking the impact of Protestantism on Tudor political thought as his main theme. He justifies this emphasis, not merely because the religious issue bulked so large at the time, but because "it was the Protestant religion which, in the end, did more than anything else to bar the way to despotism." Yet Mr Morris at once goes on to stress that the immediate effects of the breach with Rome on political thought were very different and far less agreeably clearcut. Those who engineered the Henrician revolution were too anxious to disguise what was being done to produce theories of absolutism or divine right. Those genuinely concerned with religious reform oscillated uneasily between the claims of a godly prince and those of conscience. And throughout the period the ever present fear of anarchy or rebellion was expressed in endless variations on the theme of "degree, priority and place." Respect for tradition and a preference for arguments which were persuasive rather than consistent combined to re-

strict the flights of thought.

The range of Mr Morris's reading and his skill in selecting material make this a penetrating and highly readable survey, though it is of more value as a contribution to the understanding of the Tudor period than as an important chapter in the general history of political thought. Sometimes he makes overstatements, as when he writes that "the Reformation lifted English politics on to a higher plane," or describes Shakespeare as "the greatest of all Tudor thinkers," or suggests that Bishop Ponet had "outlined almost the whole of the Whig political philosophy more than two centuries before it came into its own." And his plan has meant that he has largely excluded from his survey those writings concerned with the functions of government, particularly in the economic and social spheres. But within his chosen limits Mr Morris has produced an admirably compact, lively and often illuminating account.

Endless Story

THE STORY OF ENGLISH.

By Mario Pei.

Allen and Unwin. 381 pages. 21s.

PROFESSOR MARIO PEI is already well known in the United States and elsewhere for two readable, lucid and scholarly works of popularisation: "The World's Chief Languages" and — possessing a yet wider appeal—"The Story of Language."

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In "The Story of English" he shows himself one of the modern school of writers upon that ever-changing subject. He does not regard slang as a sin nor colloquialism as a social error nor a dialect as something essentially different from a language. He respects the past but refuses to allow it to drown the present or to stifle the future. Indeed, he divides this book into three parts, on Past, Present, and Future. "The Present" includes such chapters as "The Geography of English," "On the Border-Line of Language" and "The Genius of the Language." "The Future," so far from being merely vatic, includes an excellent chapter on "The Teaching of English." In both parts, he often refers to the past, so that the book says more about the history of English than might at first appear.

"The Past" is the most compact of the three divisions. Here, necessarily, the author is much indebted to such British scholars as Skeat, Sweet, Bradley, Craigie, Wrenn, Potter (but "What! no Wyld?") and to such Americans as McKnight, Sapir, Baugh, Robertson, Kurath, Mathews (but neither Logan, Pearsall Smith nor Sturtevant) and to such European scholars as Jespersen and Zachrisson.

In short, Professor Pei has performed his very difficult task with knowledge, skill and tact. If, in the chapter on "The Genius of the Language," he understates his case, he does so for the best of reasons: he knows that the public knows that he well knows that

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THE LAND OF THREE WORLDS.

By Everild Young.

Andrew Melrose. 256 pages. 18s.

THIS book is written with sympathy which is free from sentimentality and imagination without flights of fancy. The author is an experienced traveller, blessed with the sort of courage that weighs and accepts risks in awareness and without fanfare. Perhaps, in the beginning, she betrays a certain smugness in contrasting her own eager receptivity with the torpid indifference of "other passengers" whom she had "no inclination to imitate"; she overlooks in her enthusiasm the inevitable difference in outlook between those escaping for a brief respite from servitude to nature in the raw, and those making an exciting visit terminable at will. She also exaggerates somewhat the prevalence of people who suppose that Bolivar and San Martin were Indians and that Peruvians wear feathers in their hair; but, once she is among people who are living and working in the isolation of mountains or forest, Miss Young becomes the objective chronicler of arduous lives caught in an overwhelming environment.

The book is divided into four sections. "The Coast" deals with sophisticated and cosmopolitan cities set in macabre landscape against the background of the Andes, and permeated by the splendours of past civilisations. "The Sierra" describes various ventures into the mountains: drives in inadequate vehicles over the highest motor road in the continent to inspect the highest smelting plant in the world, or journeys along perilous tracks to tiny market towns tucked away in a seemingly unattainable fastness. "The Montana" shows us the jungle stretching from the eastern foothills to the Atlantic coast. Here, small sporadic settlements of Indians go their way in a seclusion that is increasingly threatened by the white man, who, with ineradicable faith in progress, pursues them with feats of road engineering and dogged indoctrination with scientific agricultural method. The last part of the book tells of the author's journey, alone except for two fortuitously acquired guides, on a raft down the Aguaytia river, and her three days' tramp through rain sodden jungle back to her base.

Her descriptions are masterly. She accepts the trials of heat, cold, sickness, delays, squalor and pain with philosophy and humour; and she appreciates the rapid strides made in development in spite of the inherent lack of initiative resulting from centuries of domination by Inca and Spanish totalitarian systems.

The illustrations are excellent, and would be adequate if only Miss Young

the many colour films she took, which are not included, and if only they marched with the text and did not require a constant fluttering of pages to run the relevant one down. But—let it be emphasised—among some forty-five photographs there is only one of the author—in her garden in England, where we salute and thank her.

Well Met

ENCOUNTER: A Monthly Review of Literature, the Arts and Politics.

Secker and Warburg. 80 pages. 2s. 6d.

THE decline of the serious literary monthly has been lamented and explained often enough since *Horizon* followed *Life and Letters* and other more august titles into limbo. Social change has impoverished the class that was its natural consumer; those whom social change has enriched have other tastes. The serious weeklies and the literary supplements survive and thrive in the new conditions much as the fourteen-foot racing dinghy survives and thrives in a world which has willy-nilly scrapped the J-class yacht. No new *Britannias* will be commissioned; is there really scope for a full-sized, full-powered monthly devoted to literature, the arts and politics? Not, certainly, if it only offers an enlarged version of existing literary sections or supplements; nor if it is intrinsically second-rate and secondhand; nor yet if its excellence is that of an *avant-garde* raiding too far ahead of the main force. An appropriate scale of treatment, a basis of opinion and taste wide enough to escape cliquiness but unified enough to generate an authentic voice, a certain difficult balance between novelty and continuity—these are essential specifications for success, or a chance of success.

Encounter should have a good chance. It is internationally based, with Mr Stephen Spender and Mr Irving Kristol as its editors and the Congress for Cultural Freedom as sponsor. Its first number contains—in addition to some enchanting extracts from the diary of Virginia Woolf—articles and essays by Denis de Rougemont, Albert Camus, and Christopher Isherwood; a penetrating "Postscript" on the Rosenberg case by an American writer, Leslie A. Fiedler, of whom the country ought to hear much more; poems, splendidly characteristic, by Dr Edith Sitwell and Mr Day Lewis; a range of book reviews which shows what perceptive and intelligent criticism can do when released from the thousand-word (or more often six-hundred-word) trammels of the weeklies; and other good things. Its tone is serious without Pharisaism and civilised without preciosity; and it gives the reader quantity as well as quality for his half-crown. In fact, it is a periodical to be bought for personal satisfaction and not out of a sense of cultural duty; and when one has said that one has said a good deal about its prospects of survival as a permanent

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 Little Conventions

Washington, D.C.

WHEN the Democrats decided to have a little rally in Chicago to welcome Mr Adlai Stevenson home from his trip round the world and to use the occasion as an excuse for one of those \$100-a-head dinners which can help so much towards the reduction of overdrafts, they had no intention of starting the midterm election campaign so early. But everything conspired to provide the kind of publicity that gave the meeting national, rather than local, importance. There was nothing much else happening at the moment; the President was still on holiday in Colorado. So stories of impending quarrels were written, Southern Governors were encouraged to announce that they were travelling north to "have a showdown" about the loyalty oath, which was exacted last year in an attempt to keep the wavering South in line, and the claims of various gentlemen to the chairmanship of the National Committee, from which, it was said, Mr Stephen Mitchell was going to be ejected, were canvassed at length.

Then the Republicans, who had arranged a minor regional women's meeting later in the week, began to envy the opposition their headlines and started to inflate their own gathering into a conference. And, before anybody knew quite how or why it had happened, the battle lines were drawn, preliminary plans for the conduct of next year's campaign were drafted and, almost imperceptibly, the President moved from the role of national leader, immune from attack, to that of a political leader who would be fair game, along with his party. When a Southerner, Senator Olin Johnston of South Carolina, began referring to President Eisenhower as "Alibi Ike" it was clear that the short breathing-space between American

The Democrats, in the opinion of most observers, had the better of the week. For a party which seldom meets without a row between its two wings it had an unusually harmonious time. Old enemies were meeting with new friendship in their eyes and slapping each other on the back; Mr Truman was everybody's hero; nobody challenged Mr Stevenson's leadership of the party; North and South were both equally desirous of sweeping the loyalty oath under the carpet; and Mr Mitchell got \$25,000 a year, paid back to January 1st, instead of the sack. More

important, perhaps, the Democrats, even if the confidence which they managed to instil into each other seemed rather synthetic, or at best exaggerated, got through their meeting without giving the enemy any ammunition.

The Republicans were not so fortunate. A field organiser for their Congressional Campaign Committee, while giving the ladies a few hints on tactics, told them not to hold their meetings at the country club but to "meet the women on the other side of the tracks with five dirty-faced children." This self-portrait of Republican womanhood, painted in the same colours which the Democrats delight to use every four years, must be worth, Mr Joseph Harsch estimated, a million dollars to the Democratic National Committee.

Herblock in the Washington Post

The main speaker, Senator Ferguson of Michigan, had been given a speech specially prepared for him by the Republican National Committee, which he proceeded to deliver, apparently unaware that the arrows he was aiming at Mr Stevenson were burying themselves instead in Mr Dulles, who had, at the United Nations the day before, adopted all the positions which had encouraged the Senator's ghost writer, in a fine frenzy of originality, to call Mr Stevenson an "appeaser."



Meanwhile, the Secretary of Agriculture was in Wisconsin speaking to a large audience of farmers. The *New York Times* reported that

somewhat extraordinary precautions for an occasion of this kind were taken. A fence had been erected in a perimeter about 25 feet from the speaker's platform and, shortly before Mr Benson was to speak, an additional barrier of barbed wire and steel posts was put up 15 feet outside the first fence. Uniformed state police patrolled the 10-foot-wide "no-man's land" between the fences.

Mr Benson, who in the past has been critical of high supports for farm prices, is not popular with farmers at a time when prices are falling. But the unknown organiser of these precautions exaggerated the discontent.

Nevertheless, the Republicans are said to be considerably disturbed by some soundings they have taken recently in the middle western farm states. If their findings resemble the results of a poll taken at the Minnesota State Fair and published by Mr Marquis Childs, they have every reason to be disturbed. As might be expected, the President fared better than Congress: 71 per cent of those questioned said that Congress was doing a bad job and only 32.5 per cent thought that the President was. But it is Congress which must be elected next year and Republican candidates will not have his coat-tails to ride on this time.

The Democrats, who have been taking the same kind of soundings with the same kind of results settled down in Chicago to making the most of their opponents' indecision over agricultural policies. Moreover, they were able, thanks to Mr Durkin's retirement from the Cabinet and his well-publicised reasons for going, to feel confident at last that labour was back in their ranks in full force. And they could use the knowledge that the Administration is considering a sales tax—an injudicious admission by the Secretary of the Treasury unless he has already made up his mind to ask for one—as further evidence that a big business administration was only concerned with the fortunes of the rich. All in all, they had a happy time.

★

But it is a little early for the Democrats to be as confident as they pretend to be about the result of elections which will not be held for more than a year. Issues which look good today, and which give every promise of looking even better, could disappear by next summer. For example, thirty-six hours after Mr Stevenson had given his party a splendid exhibition of how to be bipartisan in foreign affairs without forgoing the right to criticise, Mr Dulles stole his thunder and proclaimed that he, too, believed in flexibility and the value of negotiation. If the Secretary of the Treasury drops all idea of a sales tax the memory of its frustrated life will not be a very potent weapon for the opposition.

It is admittedly hard to see what the Administration can do about labour except to wave it goodbye. But much may happen on the agricultural front. The House Committee on Agriculture is busily touring the country in search of a new policy and there is no doubt that, if it can find one which promises to make the farmers forgive the President and forget his Secretary of Agriculture, Mr Benson, the Administration will embrace it with joy.

But that week in Chicago proved one thing which may grow progressively more important: that in power the

Republicans are as divided as the Democrats ever were. In opposition, the Democrats, North and South, right and left, can join in denouncing the failures of the Administration. The Republican ladies of the Middle West, on the other hand, judging from the fact that over half of those assembled signed a petition in favour of the Bricker Amendment, which the President is trying to defeat because it would cripple his power to conduct foreign affairs, have become no more receptive of Mr Eisenhower's ideas than they were when they were trying to nominate Senator Taft. It may well be that the chasm that divides the two wings of the Republican party is every bit as deep and as wide as that which divides the Democrats, and it may also be that a greater proportion of active Republicans are to be found on the right bank of the chasm.

American Notes

New Chief Justice

IN raising Mr Earl Warren to the Chief Justiceship, perhaps the most important appointment in his gift, Mr Eisenhower is reaffirming his own position in the middle of the road. Mr Warren would not now be in the third term of his governorship of the theoretically Democratic State of California unless he had had support throughout his political career from members of both parties, and on most issues he and the President think very much the same way. Apart from his political position, his relative youth—he is 62—and his robust health are important qualifications for a lifetime appointment in which continuity of service is desirable. Although he has never been a judge he has the benefit of the wide legal experience he gained as attorney general of his state; and it says most for his immense reputation for personal integrity and administrative ability that the President should have made the appointment during the Congressional recess, in the confident expectation that it will subsequently be confirmed by the Senate. George Washington is the only President who has done this before with the Chief Justiceship, and he received such a rebuke that none of his successors until now has ventured to do it again.

The Supreme Court will therefore open on Monday with a full complement of nine members; and it looks as though the new Chief Justice's mature political wisdom may be called in aid more than once in the course of a strenuous term. The most important decision awaiting the Court is on whether the fourteenth amendment to the constitution forbids racial segregation in the elementary schools in the South. This decision was put off from last June, when the justices showed themselves fully aware of the politically explosive implications of the issue. They called for more arguments about the intentions of the framers of the amendment and about what the Court itself would need to do to carry out any new finding against segregation.

Meanwhile in California the succession goes automatically

to the Lieutenant Governor, Mr Goodwin Knight, for the remaining fifteen months of Mr Warren's term. This should give Mr Knight a good start in the struggle for power that will inevitably follow the withdrawal of the dominating personality of Mr Warren.

War on the Waterfront?

THE dock strike that has broken out in New York is likely to prove a final invitation to the violence that has been threatening on the waterfront since the leading dockers' union, the International Longshoremen's Association, was expelled from the American Federation of Labour at its recent annual convention. The union had completely failed to convince anyone that it was capable of cleansing itself of the crime and corruption that had been brought home to it by one inquiry after another; and the AFL was therefore driven back on organising a rival union to capture its membership.

In this situation Mr Joseph Ryan, the ILA's lifetime president, has been striving desperately to retain his union's status as the official representative of the dockers by obtaining a new contract from the shipping companies to replace the one that expired at midnight on Wednesday. Despite the pressure of public opinion, the companies were strongly induced to reach an agreement with him by memories of the strike of 1951, which arose from inter-union warfare and caused them crippling loss. But they were not prepared to accept his final demand for ten cents an hour more in wages and three cents more in payments to the dockers' welfare fund, particularly as he ignored their own stipulation that an arbitrator should be appointed to decide disputes about the interpretation of the contract. The ILA, which had already retreated from an initial demand for a total increase of 60 cents an hour, dared not retreat further. So work ceased with the old contract, and Mr Ryan, who had been under fire from his rivals in the union for making such large concessions, retired to hospital for "observation."

Meanwhile the AFL leaders, who are under no illusion that turning the ILA out of the convention hall in St Louis is the same thing as turning it out of the docks in New York, have already taken the offensive. Mr Hall of the seamen's union and Mr Beck of the lorry drivers, who are among the temporary leaders of the new dockers' union, are providing it with recruiting agents from among their own members. For the moment they are concentrating on Brooklyn, the domain of Mr Anthony ("Tough Tony") Anastasia, the ILA's most formidable boss, and few would care now to contradict the prediction that some men will soon be "taking a long walk on a short pier."

The reliance which Mr Meany, the president of the AFL, must place on Mr Beck and his lorry drivers in conducting this campaign will probably make it more difficult for him to curb their own empire-building proclivities. These are now the principal obstacles both to the peaceful settlement of jurisdictional disputes within the federation, for which a new council of union presidents has been set up, and to the success of the no-raiding agreement with the Congress of Industrial Organisations. This was ratified by the AFL's convention, but two-thirds of the delegates were absent at the time and it still has to be signed by the individual unions before it comes into effect.

Depression in Washington

WHATEVER the signs of a recession now coming to the American economy as a whole there have been plenty of signs of one throughout this year in Washington. Gross sales by department stores have gone up in the country as a whole, but in the capital they are down by five per cent. Credit is more difficult to come by, foreclosures on housing property have doubled since last year and, instead of a chronic shortage of houses, there are signs everywhere offering them to let or for sale. All this is the result of the high proportion of civil servants in the city's population and from no one knowing which jobs the government is in the course of its economy drive going to get rid of next.

In August the Internal Revenue Service was struck. A thousand jobs, filled by tax experts some of whom had been working there for most of their lives, disappeared without trace. A \$6½ million cut in its budget had forced the agency to put into effect an old plan for transferring most of its assessment and enforcement work to the regional offices, and from now on only major policy decisions will be taken in Washington. While there is, for once, a good deal of sympathy for the tax collectors, the most indignation has been aroused by the way Mr Stassen has been cutting the cloth of his Foreign Operations Administration to suit its rather small budget. To help him in this task he made his staff sit down to a number of aptitude tests, assessing both their knowledge and judgment. The marks awarded were supposed to be only one factor in deciding who was to go, but civil servants, unconvinced of the fairness of the method even by the announcement that Mr Stassen had taken a test himself and passed, complained bitterly at being "Stassened" in a way peculiarly wounding to the *amour propre*.

Tax Hero Unsung

COLD-water has been poured from several directions on the attempt of Mr Beardsley Ruml, the economist who fathered pay-as-you-go income tax, to equip the United States with a pay-as-you-go budget. This must be rather disappointing to a man who had come as the bearer of good tidings. He had told a Treasury, which was casting around for new ways of bridging its deficit, that there was no deficit to bridge; and a Ways and Means Committee of the House of Representatives, which had been listening to long tales of woe about the "inequities" of indirect taxation, that all indirect taxes, except those on petrol, tobacco and alcohol, could be dropped. All that was needed to work this miracle was a saving of \$2 billion through greater efficiency and economy, and a change to the methods of accounting normally used in private business.

Mr Ruml considers that the budget, as at present drawn up, is a meaningless collection of figures, because it includes under expenditure \$6 billion devoted to capital items and fails to include under revenue \$4 billion of surplus income from the special taxes imposed to create trust funds for old-age pensions, ex-servicemen's insurance and a special

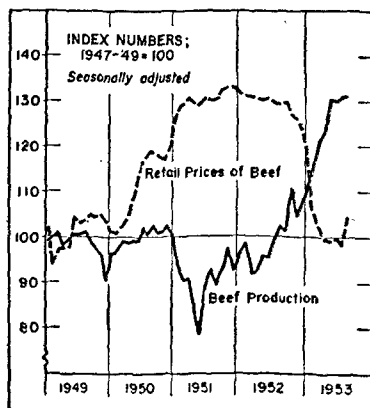
pension scheme for railway workers. Under his plan this surplus would be counted as part of the general revenue. On the other hand the capital items would be kept completely separate, so that the same kind of accounting distinction would be made that Sir Stafford Cripps aimed at when he introduced his "alternative classification" into the British budget statement.

But Mr Ruml goes a stage further by arguing that only the current expenses of government need to be covered by revenue from taxation. Capital expenditure would be covered entirely by private saving. The loans would be raised by special "authorities," which would be set up to build public works and atomic energy plants. These authorities would possess revenues derived from charges to the public or from sales and leases to government departments, and would pay off the loans over a period of years. Similarly, the government would borrow when acquiring disposable assets, such as farm products taken over in the course of price support operations, housing mortgages, and loans for the expansion of small businesses. Only the cost of administration and of liquidation at a loss would be met out of taxation.

Despite its glittering attractions, the new Ruml plan has been laid by the Secretary of the Treasury austerely on one side, as a device to conceal rather than reduce Federal spending. The Ways and Means Committee has likewise been admonished by one of its senior members, Senator Byrd of Virginia, to have no truck with a scheme that would create "a paradise for political spenders."

The Surplus Counter

AMERICAN agricultural surpluses are likely to appear on European tables, and perhaps Asian and African ones, after November 1st, by grace of the Mutual Security Act. When it was extended, the President was empowered to use up to \$250 million of aid funds to finance the sale of surpluses to friendly countries. Sale will be made for



What has held up this nibble at the mountain of American surpluses, now valued at \$2.6 billion, is the difficulty of making sure that the new transactions, which are to take place at world prices, are all in addition to normal purchases from the United States and other friendly countries. The American Farm Bureau Federation, which has been the moving spirit behind the scheme, believes that, if the govern-

ment had moved more rapidly, India, for example, instead of buying a million tons of wheat from the Soviet Union, might have bought it from American stocks. But although wheat, maize, cotton and cottonseed will all be displayed on the surplus counter, it is thought that sales of beef may be the easiest to arrange to western Europe, where the consumption of cereals cannot be greatly increased.

The Secretary of Agriculture will be relieved if foreigners can help Americans eat their way through the beef surplus. The government has already bought about 100 million pounds of beef, and has promised to buy as much again to steady the price of cattle, which this summer was 40 per cent lower than it was last year. Retail prices have fallen, too, and Americans are eating more beef, but they have not fallen as far as cattle prices, and indignant livestock raisers have demanded, and obtained, an investigation of the profits of middlemen. The problem is one of over-production, but it has been made worse because live cattle, whose prices are not supported by the government, must eat feed whose price is. Pig-keepers have been more prudent; they have cut back production and seen their prices soar. Spam, it is certain, will not be included in the bargains offered by the Foreign Operations Administration.

Small Man's Aid

THE Reconstruction Finance Corporation, which started life as a temporary device of President Hoover's for propping up banks and railway companies during the depression, and which has since made 63,000 loans to industry totalling \$10 billion, is at last fading away. Since the end of last month it has had no power to make fresh loans, and between now and the end of June, when it goes out of existence altogether, it will be trying to sell off its \$700 million worth of assets: business loans, securities, and properties, including an Alaskan gold-mine, on which it has had to foreclose. Anything that is left in June will be taken over by the Treasury.

Although the RFC dies, one aspect of its work—the provision of help for small business—lives on. Congress's unfailing regard for the interests of the small man remains well-grounded on political realities so long as three-quarters of all firms still employ less than four people. A business is small by definition of the Department of Commerce if it is a manufacturing plant employing less than 2 hundred workers, a wholesale firm with under \$200,000 in annual sales, or a retail store or catering establishment whose sales or receipts do not go above \$50,000 a year. These standards have been changed several times in the past, and are about to be reviewed again. Firms that find themselves inside any new definition, consider themselves good risks, and yet cannot get the capital they need if they are to expand, will be able to apply after the end of the month to a new Small Business Administration.

Even here, though, the government is keeping itself as much out of business as it decently can. The Administrator, Mr Mitchell, with a revolving fund of only \$55 million at his disposal, cannot go beyond a loan of \$150,000, maturing in ten years or less, to any one firm, and is placing most reliance on the creation of "local pools of credit," similar to those already operating in Maine and Massa-

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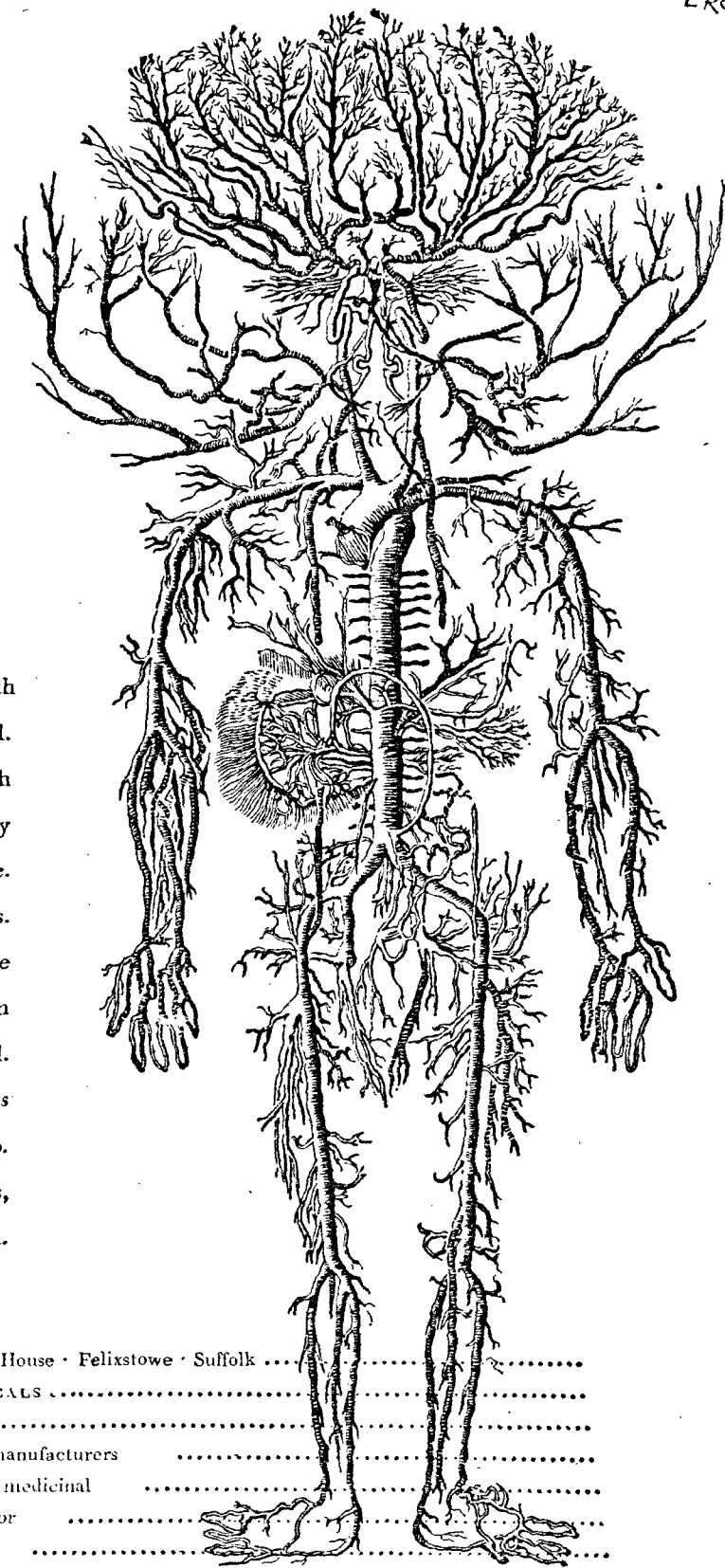
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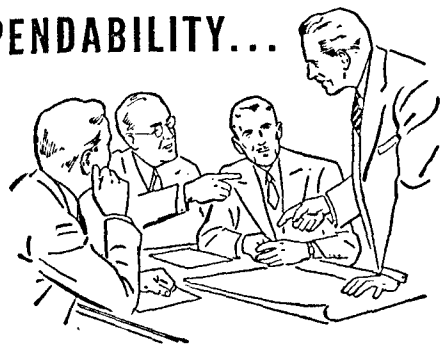
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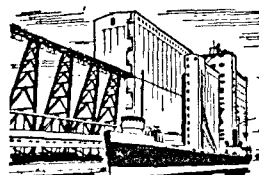
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chusetts. The government would then participate in loans largely contributed to by local banks, businesses and lending institutions. There is still considerable uncertainty about the rates of interest at which government loans will be obtainable, an uncertainty that was not lessened last week when the Loan Policy Board, on which Mr. Mitchell sits with the Secretaries of Commerce and the Treasury, issued a statement that the rate would be 6 per cent, and then immediately withdrew it.

The new agency is also taking over the work of the Small Defence Plants Administration, which has acted as an official lobby within the government for small firms wanting defence contracts. Mr. Mitchell will need all his powers of persuasion if these are not to be squeezed out by the present tendency to concentrate military orders on a few large suppliers.

Bankers Vindicated

THE six-year-old suit of the federal government against seventeen of the country's largest investment banking firms has been ignominiously dismissed. Judge Medina, who listened for almost three years to the prosecution, has concluded that it had not even a *prima facie* case and threw out the suit "on the merits and with prejudice." Such a verdict prevents the government from bringing another similar action, except in the unlikely circumstance of its taking, and winning, an appeal to the Supreme Court.

The judge's final opinion, which is expected to run to 500 or 600 pages and to provide a unique guide to the business of floating securities, on which he has been forced to become an expert, will not be published for a fortnight or so. But in his preliminary memorandum Judge Medina declares that he found no such combination, conspiracy or agreement as the government alleged to lie behind the group's control of the issuance of nearly 70 per cent of all securities offered between 1938 and 1947. He found no substance, either, in the government's charge, which he called the "guts of the case," that investment bankers conspired to respect each others' traditional preserves, and that this worked to the disadvantage both of corporations issuing securities and the investors who bought them. Bankers will regret only that the syndicate method of floating new issues was not given a similar certificate of immunity from further prosecution. At the last moment the government attempted to add a charge that the practice of price-fixing by underwriting associates during the period of distribution was, in itself, a violation of the anti-trust law. This the judge refused to permit, apparently on the grounds that it constituted a separate case and would increase the already heavy burden on the defendants.

This has been heavy enough, particularly in view of the fact that the defence was never even called upon to produce its case: costs come to over \$5,000,000 for the defendants and about half that for the government. The suit was a hold-over from the period of the Fair Deal and had its roots in the suspicions of bigness, particularly where money was concerned, which produced the arraignment of the investment bankers by the Temporary National Economic Committee in 1938 and 1940. The official climate has now changed; the American Bankers Association can hold its

annual meeting in Washington for the first time since 1934 and be assured of a welcome. But the most obdurate New Dealer must concede that the collapse of what was probably the longest and most expensive anti-trust suit in history is an argument for more careful preparation in the anti-trust division, and a justification of the steps now being taken to reduce the amount of anti-trust litigation by helping businessmen to understand and obey the law and seeking agreements out of court whenever possible.

SHORTER NOTES

The Treasury now expects to be able to avoid calling a special session of Congress to raise the federal debt ceiling above its present \$275 billion. In spite of the fact that the September tax collections have been a little smaller than expected, the Treasury will try to "scrape by" until the end of the year, rather than renew such an unpopular request. Just before Congress adjourned the Senate rejected a Treasury appeal to raise the limit by \$15 billion.

★

Although gleeful Democrats seized on reports that a Republican party official, Mr. Warren Stephenson, who worked on the inaugural committee, had tried to sell his services, for 4 per cent of any contracts he secured, as an intermediary between an armaments firm and the Navy Department, no one but Mr. Stephenson himself has incurred any blame. The firm promptly reported the matter to the Navy, and a House Armed Services subcommittee, which interviewed Mr. Stephenson to find out where he had received secret information about contracts, discovered that it came, not from any government official, but from conversations overhead in the Pentagon snack bar.

★

One of the major film companies has released the first film made in CinemaScope, "The Robe," which is setting attendance records in New York. Using the process invented by Professor Chretien of France, which its sponsors hope will provide an effective answer to television, the film is thrown on an exceptionally wide screen, and does not require the audience to wear spectacles. CinemaScope is also being used for animated cartoons by the Disney Studios; a ten minute short on musical instruments has been completed for showing with "The Robe," and a full length cartoon feature is now in production.

★

It is understood that Mr. Truman has been saved about \$170,000 by a ruling of the tax bureau that the \$600,000 which, it is reported, he is to receive for his memoirs, may be spread over a six-year period for tax purposes. He will pay about \$332,000 instead of the \$502,000 which would have been exacted if the income had been treated as the earnings of a single year. New legislation prevents Mr. Truman from profiting from Mr. Eisenhower's example; "Crusade in Europe," for which the General received \$635,000, was taxed as a long-term capital gain at a rate of 25 per cent.

The World Overseas

Mr Stassen on East-West Trade

AMERICAN legislators seem to have a genius for inventing the most awkward, embarrassing and unworkable laws. Representative Battle's Mutual Defence Assistance Control Act of 1951 is an outstanding example. The purpose of this Act is to give the President power to suspend economic, military, or technical assistance from any country that sells strategic goods to the Communist bloc. How fortunate it is that under the discreet and sensible direction of Mr Harold Stassen (and his predecessor, Mr Harriman) there has never been occasion to wield this crude weapon. Indeed in admitting that "it cannot be used lightly" Mr Stassen, in his third semi-annual report to Congress, recognises the folly of trying to coerce allies by the use of threats. On the whole, America's allies have played the game, and on the infrequent occasions when lapses have occurred, the President has felt able to use his mandatory power to grant dispensation. But there are at least as many critics at home as there are abroad, and Senator McCarthy is not alone in condemning the supposedly soft policy of America towards its wicked allies. Thus in preparing his report Mr Stassen had to take into account not only the susceptibilities of America's friends abroad, but also the charges of the critics at home. The case is skilfully presented.

A chapter is devoted to exploding myths about East-West trade. Apparently there are people in the United States who are convinced that America's perfidious allies are doing a roaring trade in strategic goods through the iron curtain. The report firmly rejects this fairy tale. Mr Stassen is apparently well satisfied with the machinery set up in Paris to co-ordinate controls and provide a forum for continuing international consultation about them. He speaks of a remarkable though "little-known story of international co-operation" which lies behind the strengthening of strategic trade controls. Of course there are weak points, but these have been steadily plugged by such means as the Import Certificate Delivery Verification (ICDV), the expanded shipping controls, and the measures to control goods in transit.

Again addressing himself mainly to the critics at home, Mr Stassen explains that non-strategic trade with the Communists "is not necessarily harmful to the West." Indeed, if on balance there is a net advantage to the free world it is most important that this trade should continue. "To try to force a stoppage of all East-West commerce would be precisely the wrong way to assure peace in the world." As Senator McCarthy and his sympathisers are likely to

dispute just this point, it would have been advisable to develop the argument further.

For overseas consumption the report deals adequately with the myth of the great lost markets in the East. Though, no doubt, the policy of self-sufficiency in the Soviet bloc is one cause of the decline in East-West trade, it is rather surprising that the report does not discuss the apparent retreat from this policy in recent months. At present a major hindrance to East-West trade is the classic question of comparative costs. But the report is right in exploding the propaganda myth that trade with the Communist bloc is strangled by the strategic controls. There is ample scope for the expansion of non-strategic trade, and the items embargoed are on the whole selected with sense and discrimination.

It is a pity that the report left unshaken one very prevalent myth: that the controls were forced on to the free world by American pressure. That the Battle Act lends itself to that interpretation is regrettable; but the fact remains that the various countries independently decided in their own interest to restrict the movement of strategic goods to a potential enemy. After all, Britain in 1947—before the Marshall dollars started to flow, and years before the Battle Act—had started to control the shipment of military materials to Communist countries. As for shipments to China, Britain (and 44 other nations) voluntarily agreed to the United Nations resolution embargoing strategic goods, and many countries had on their own accord previously banned this trade.

To enliven the report, or perhaps to emphasise the difficulty of enforcing controls (and the diligence of the enforcement agencies) a selection of case histories is included. There are some fascinating stories: of a "man called Magura" who cloaked his illegal operations in strategic goods under his diplomatic immunity as Rumanian commercial attaché in Berne; of a "frogman smuggler" attaching bags of tool-bits to the hull of the Hongkong-Macao ferry-boat; of a whole boring and turning mill being switched from one destination to another until finally aboard 12 flat-cars it rolled into Hungary. There are other still more fantastic tales of smugglers and forgers: there is even a character called Peter Pan, but sadly no Wendy or Tinkerbell.

In a chapter dealing with the special problem of China, the report is less convincing—perhaps because of Senator McCarthy's well-known antipathy to any trade with China at all. But the policy of non-strategic trade with China

does win nodding approval from Mr Stassen. Again, no doubt with the McCarthy report in mind, the report describes the "helpful strides in shipping controls . . . made during the 6 months"; but it does not enter into this famous controversy. Perhaps the most striking indication of policy comes into this section; in discussing the embargo after the Korean truce the report is at pains to insist that no relaxation is contemplated, "for winning an armistice on a single battleground does not mean that we have won peace in the world."

Sooner or later the whole question of the embargo will have to be re-examined. It is a pity, therefore, that Mr Stassen did not attempt to evaluate the broad effects of the policy. How effective has it been in hampering the Communist war machine? What harm, if any, has been done to the economy of the free world? What are the political consequences? It is all too easy to lose sight of the ultimate purpose of the embargo which was designed to safeguard the security of the West. It was never intended to be a permanent mechanism. At some point in the future it will be necessary to see which way the balance of advantage lies. It might then be advisable to toss in concessions on the embargo against corresponding concessions by the other side.

Grievances of Italian Workers

FROM OUR ROME CORRESPONDENT

THE twenty-four hour token strike of September 24th is regarded by many observers in Rome as the most imposing trade union demonstration since the war. Over five million workers of all three trade union organisations (Communist, Catholic and Social Democrat) came out. In the north the strike was almost 100 per cent effective in the bigger factories and over 80 per cent in the others. Stripped to their essentials (the Italian pay-system is horribly complicated), the workers' demands are for a wage rise of 10 to 15 per cent. More token strikes followed; and the farm hands (numbering two million) are to come out on October 5th, while the State employees are on the verge of registering a public protest as well. As there is no provision for arbitration in Italy and the government is unwilling, for the time being at least, to intervene, there seems little prospect of the deadlock being overcome.

The industrialists justify their refusal even to start negotiations by pointing to the heavy additional burden (they put it at about 250 million lire a year) the extra wages would involve. They admit that the wealthier firms might be able to shoulder such costs, but claim that the overall effect would be an increase in unemployment, a decline in investment, and inflation. In any case, they add, the workers' share of net output has gone up from 56 per cent in 1938 to over 70 per cent in 1952. If you try to probe further into the causes of industrial discontent, the industrialists will argue that the Communists are at the bottom of the trouble, that it is all Moscow's doing and that, if everything is not perfect in Italy, that stems from its lack of colonies and raw materials and to its over-population. A closer examination, however—and there is remarkable unanimity among informed foreigners here on this point—suggests that the explanation lies elsewhere.

Basically it is to be sought in the long standing weakness of the country's middle class. There has never been a revolution in Italy and it accordingly still bears the marks of its feudal past—a tendency towards paternalism in the best factories, towards inefficiency in the worst; a hatred of taxes; a dependence on State support; a desire to get rich quick; an unwillingness to invest capital with an expectation of a moderate return over a period of years; and a concentration on luxury high cost, but also high profit, production. In agriculture and the state services, the relics of outworn systems are even stronger.

The result inevitably is poverty made more intolerable by the sharp contrasts in living standards. A fifth of all families has an income of £10 a month, two thirds have about £30 and the rest have £60 or over. The per caput intake of calories has remained at roughly the same level as in 1911 and is far down in the scale of European countries. Conversely, the proportion of carbohydrates to other foods, which has also been stationary since 1911, is unusually high—65 per cent. In spite of blocked rents and increased wages, food accounts for 65 per cent of the average working family's bill. The situation is particularly bad in the predominantly agricultural south, where sugar, butter and meat are practically unknown. It is made worse by the reliance of the fiscal system on indirect taxation, which falls specially heavily on such items as sugar and coffee. It has been calculated that, to earn a pound of coffee, an Italian workman has to put in 248 minutes of labour against his Swiss mate's 97. The comparative figures for sugar are 43 and 12. Part of the trouble lies in a wasteful distributive system by means of which the price of an article quadruples in passing from the wholesale market to the shop in the same town.

Homes in hovels and caves

But if life is hard for the less well-to-do, it is doubly so for the unemployed who are estimated at between 1.3 and 2 million and the underemployed who number a great deal more. Housing is the other great grievance. Suffice it to say that 12 per cent of the population lives in hovels, caves and shanties, while over 2 million rooms (60 per cent of total accommodation) are vacant for want of a tenant with the necessary means. A great deal has been written on Italy's achievements in the housing field, but it is not generally realised that this has been mainly directed towards luxury flats and that little has been done to provide good cheap dwellings. As rents are gradually unfrozen, the issue is likely to become even more red hot. The health service is very limited in scope; in practice, medicines and treatment generally have to be paid for.

The Communists' strength lies in their tireless agitation (uninhibited by realistic considerations) on all these issues. In particular they are the driving force behind the trade unions' campaign for higher wages and better conditions and they have an impressive record of successes on that score. Possibly owing to Togliatti's influence with the Kremlin, the party has followed a more flexible, less parrot-like line than its fellow-Reds in Europe. It has a generous share of the discontented intellectuals whom Italy turns out in too great numbers to absorb and a mastery of modern propaganda techniques which makes its rivals' output seem dated and irrelevant. The other parties will have to make a much greater effort than at present both in remedying deficiencies and in presenting their case, if they are to avoid that unfortunate impression from becoming a reality.

Linguistic States in India

FROM OUR CORRESPONDENT IN BOMBAY

THE inauguration of the new state of Andhra on October 1st was the first step in a process which will end by redrawing the map of most of India. This formation of a separate state for the 20 million Telugu speakers of Madras represents the final surrender of the Central Government to the principle that the dozen great linguistic groups into which India is divided should each have a state of its own in which it can develop and feel at home. All that now remains is for the commission which will be set up once Andhra is established to recommend what states there should be, and with what boundaries. This may take two or three years, and meanwhile a good deal of heat will doubtless be generated. Within five years, however, the new states should be set up and running smoothly, and one of the oldest grievances, especially of the south, should be finally out of the way.

In principle hardly anybody objects to linguistic states. Even before 1914 when the British created Assam and Bihar out of Bengal, and the North-West Frontier Province out of the Punjab, the new creations were largely linguistic, though, with a typically British disregard of consistency, not completely so; Punjabi speaking Hazara went to the North-West Frontier Province, Bengali speaking Sylhet and Cachar to Assam.

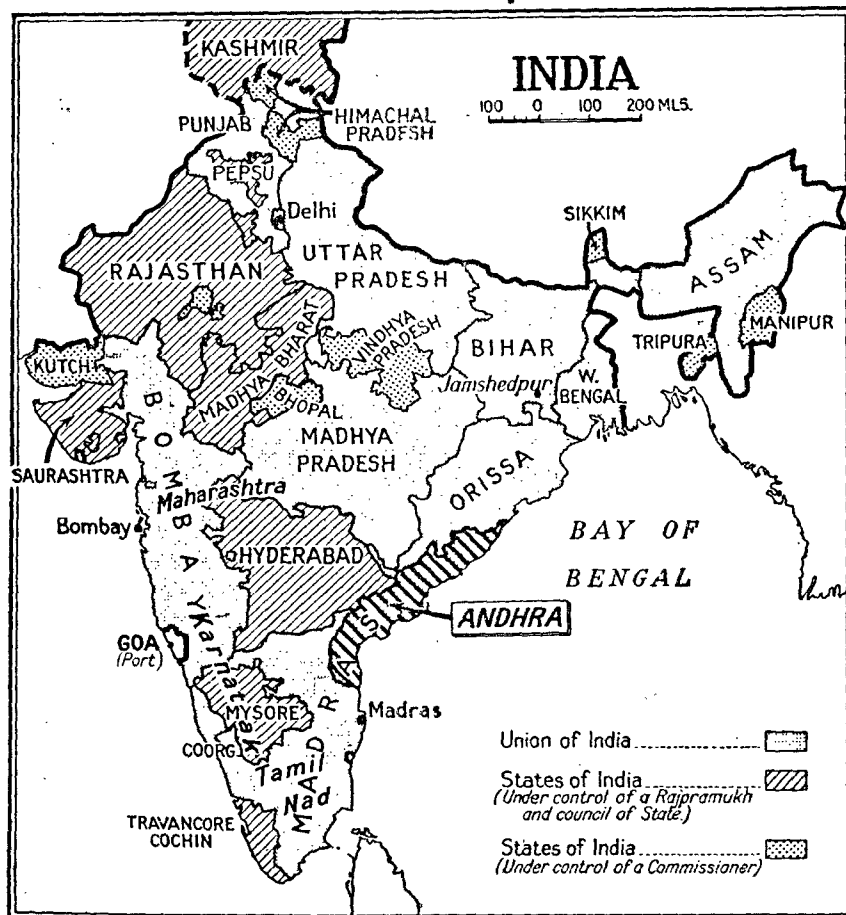
The demand for Andhra goes back to the first war. The Congress party organised itself on a linguistic basis as early as 1922, and the linguistic states have been part of its policy since the late twenties. The Communists and the Praja Socialists are more fervent still. No organised party opposes their formation; the only voices raised against are those of a few liberals from British days.

Nevertheless, since independence there has been a notable cooling of enthusiasm. The Dar Commission appointed by the Constituent Assembly found every possible reason for postponement. The new states would be financially insolvent; they could not be properly formed until the old Indian states had been finally integrated (the Karnatak must include Mysore, for example); the cities of Bombay and

Madras would create a problem; above all linguistic states would create a sub-nationalism based on the most intimate of all ties, that of language, and, therefore, bound to militate against the wider loyalty to India as a whole. They admitted that some reorganisation was necessary, that some groups felt themselves unfairly treated within the old artificial provinces, but they urged that when reorganisation did come, it should be on administrative rather than linguistic grounds. A committee appointed by the Congress, and which included both Pandit Nehru and Sardar Patel, was equally cool. The present time was not propitious; there would be administrative and financial dislocation; the Andhras would have to give up all claims to Madras city, the Mahrattas to sacrifice Bombay; there were states to be absorbed; everybody would have to agree on boundaries; controversies over boundaries might upset national unity and divert the people's efforts from the real problems, which were economic.

These were powerful arguments, and the government of India has acted on them ever since. But India is a democracy, and the people have made up their minds. Andhra was conceded after a social worker called Potti Sriramulu had starved himself to death to obtain it. The failure to agree to a Karnatak state has produced hunger strikes, riots and the loss of safe seats to the Congress in the only two by-elections held recently. Even Congress ministers from Maharashtra have been working and talking openly for a Maharashtra

state. The new commission represents the Centre's surrender to the strength of these feelings but the surrender has hardly been graceful. Many at the Centre are really anxious about the possibility that linguistic states will attract loyalty away from India as a whole, overlooking the fact that this has not happened in Rajasthan, or the United Provinces or Bengal, which are linguistic states already. Others fear that the result will be more states, more deficits, and more need for Central assistance. In fact the number of states would be reduced by half a dozen—for example Pepsu and Himachal Pradesh would be absorbed into the Punjab, Bhopal into Madhya Bharat, Coorg and Mysore into the Karnatak, Manipur and Tripura perhaps into Assam, and Hyderabad would cease to exist.



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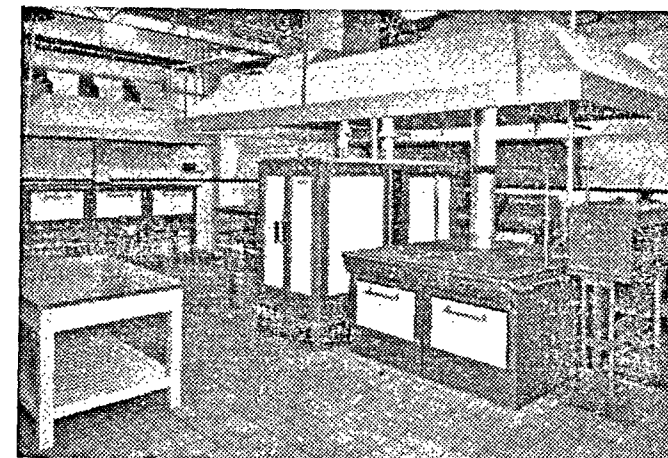
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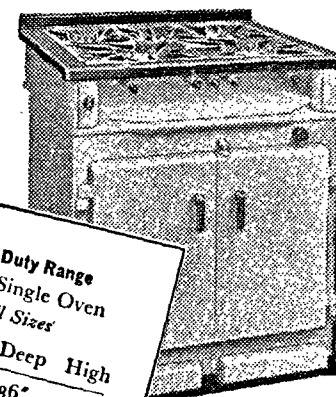
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Even Andhra is in difficulty only because the refusal to disintegrate Hyderabad has deprived it of its natural capital, Hyderabad city. This refusal indeed is one of the major stumbling blocks in the way of linguistic states. None of his subjects has any affection for the Nizam, but he is a Moslem ruling over Hindus, and Delhi is afraid of being called communal if he is removed; the Maharajah of Kashmir, who was a Hindu ruling over Moslems, and who was at least popular in Hindu Jammu, was let go without scruples. Moreover, there is in Delhi a belief that Hyderabad has a "composite culture" which it is worth considerable sacrifices to preserve. There seems here to be a confusion between culture and polish. Hyderabad has not created anything in any of the arts since 1687. But unless Hyderabad is disintegrated, neither Andhra, nor the Karnatak, nor Maharashtra, will be complete.

Delhi's fears are not all as chimerical as these. There are real difficulties and points of dispute, as hunger strikes and minor riots have already shown. That most of Manbhum should be transferred from Bihar to Bengal the vote of its people for a Bengali party has made clear; but in the Dhanbad subdivision they are a minority, and to whom should next door Singhbhum, with its majority of aboriginal Hos and Santals, its Bengali middle class and its great steel city of Jamshedpur be given? How valid is Orissa's claim to take Seraikella and Kaarwan from Bihar? Admittedly these two areas have hardly any Hindi speakers, but their Orya speakers were in 1931 less than one-third of the population. There is a large Telugu minority in Ganjam, now in Orissa; should it be split? Parts of East Mysore, including the Kolar gold fields, have a Telugu majority, but Mysore is an old historic entity with a strong local loyalty; should these areas go to Andhra when Mysore becomes part of the Karnatak? Travancore-Cochin has large Tamil areas in the extreme south and in the tea-growing hills; when Travancore-Cochin is absorbed in Kerala should they go to Tamil Nad although the southern areas are rice-surplus in a rice deficit state, and the Tamils of the tea estates are mainly immigrants? Above all, should Bombay city, which is historically Mahratta and half of whose population speaks Marathi, go to Maharashtra or should it be a separate unit to appease its Gujerati and Parsi businessmen and the ghost of the late Sardar Patel?

Moreover there are reluctances. If Mysore becomes part of the Karnatak, its Vokkaligars will lose their delicate advantage over the Lingayats; if Berar becomes part of Maharashtra, Mr Brijlal Biyani will lose some of his importance if Manipur becomes part of Assam, it may lose some of its individuality.

There will, therefore, be much heat and not much light engendered before the commission finishes its work. Yet one need have no fear of the result. The 1951 census provides the basic facts. There are no real minority problems in the European sense. Religion and class divisions do not, as so often in Europe, follow linguistic lines. Except perhaps for Bengali in Bihar, there has never been the slightest discrimination against existing linguistic minorities. Borders are reasonably clear cut; there are no majorities in islands within another language, like the Hungarians in Transylvania. Above all, India's underlying unity, a unity compounded of many elements, from Hinduism to cricket, is deep, and deeply felt. It will not be disturbed because in the Legislative Assemblies members will at last be able to talk in their mother tongues and still understand each other.

Fishy Tales for Argentines

FROM A CORRESPONDENT

ARGENTINES, citizens of a beef-producing country and themselves addicted by tradition and preference to the succulent *bife*, have lately been regaled with free fish—and free cookery lessons—during a "fish week" decreed by the government in a further effort to economise meat supplies. And Buenos Aires housewives may now, by dialling a telephone number, obtain the "menu of the day," mainly based on fish.

This latest move in a campaign begun several years ago coincided with another threatened beef crisis. Entries of cattle in the Buenos Aires market during August and early September were running at unprecedentedly low levels, even for this time of year when a seasonal slump is usual—in August the daily average of entries was 42 per cent below the corresponding 1949-52 average; and the packing houses were ordered to draw on the stockpile of frozen beef built up on government instructions after the similar crisis last March and April. In the meantime, beef exports have been running at a little over a third, and mutton and lamb at just over half the average figure for the five postwar years.

This evident shortage of beef, not only for export but for home requirements, again brings to the fore the controversial question of Argentina's cattle stocks, and throws a curious light on the last census figures. The cattle census was taken last November, and in spite of General Perón's promise that the figure would be released without delay, no official announcement had been made five months later. In April, when serious shortages coupled with black-market profiteering (with which the name of Perón's late brother-in-law and private secretary, Juan Duarte, became linked) led to a major political crisis, Perón himself, who often has a highly individual approach to statistical questions, said in a broadcast that cattle stocks were the highest ever, more than 45 million; and the official census figure, when announced a few weeks later, put the total at 45,263,000. This figure is still received with reserve in well-informed cattlebreeding and trade circles, where estimates of probable stocks vary from 25 to 28 million. It is difficult to reconcile it with the 1947 census figure of 41 million, since losses from mortality and enforced slaughtering during the first of the disastrous droughts of recent years (1949-50) were reliably put at 10 million head.

No Biological Miracles

Even recent comments in the Peronista press tend to throw doubt on the accuracy of the census. *Democracia*, which reflects official opinion, recently printed an article calling for measures to "build up stocks to the necessary production capacity so drastically curtailed by drought"; and a couple of days later the government paper which now calls itself *La Prensa*, referring to the cattlebreeders' call for more ample bank credits, remarked with a surprising return to objectivity that "credits cannot work biological miracles." So much for the "highest ever" cattle herds.

Most of General Perón's recent political difficulties have had their roots in discontent over rising prices and food shortages; and of all food shortages, a shortage of beef (as was shown last April) is most calculated to provoke discontent. So far there are no visible signs of renewed unrest amongst Argentina's working population; but it appears unlikely that Perón, despite drastic police measures,

will be able to hold down the cost of living unless some cheap substitute for beef can be conjured up: hence the campaign to popularise fish. Some grumbling is heard about beef exports ("the English are taking all our beef"); but it is fair to state that this point of view is not getting any government support, as the government is anxious to keep exports at as high a level as possible. Nevertheless it is highly unlikely, to say the least, that the beef quota called for under the latest protocol to the Anglo-Argentine Trade Agreement will be complied with by the end of this year. Another question perforce presents itself. If Argentina's cattle census is apparently so wildly wide of reality, what degree of credibility attaches to other Argentine official statistics?

Norway at the Polls

FROM OUR SCANDINAVIAN CORRESPONDENT

"SET the People free" might well be the opposition slogan for the general elections which are to be held in Norway on October 12th. It would be more effective if the four anti-socialist parties were not wasting their strength in unco-ordinated efforts, leaving the active, but outnumbered, Conservatives to carry the main burden. It is unlikely that the right-wing and centre candidates will win a majority of the 150 seats in the *Storting*, although the ruling Labour Party is bound to lose seats by the operation of the new rules which favour the smaller parties. On the other hand, the same changes are expected to bring at least two Communists back into the *Storting*.

The prime purpose of the new electoral rules, which were adopted last November, was to give urban constituencies a fairer representation than the old law permitted. Under the 1814 constitution the rural districts, according to the famous "farmers' clause," were entitled to two representatives to every one for urban districts. The growth of towns since then had long made this provision inequitable. The new law allots seats between the twenty electoral districts more in accordance with their population—Oslo, for instance, has 13 instead of seven seats—and the distinction between town and country is abolished. So also is the stipulation that members must live in their constituencies. Finally, the "first divisor" used in allocating seats to the political parties on the basis of their total votes on the electoral lists in each constituency is changed from 1 to 1.4—a technical change which favours the smaller parties.

With so many new and uncertain factors, forecasting is particularly difficult, but the election is virtually certain to prolong Labour rule in Norway. The Socialists maintain that they have governed fairly well, that the bulk of the people are satisfied with their performance. But the bloom is undoubtedly wearing off the experiment. From, however, the electoral angle, the divided opposition prevents full advantage being taken of the government's weaknesses.

Yet, beneath all this, there are uneasy stirrings. Has the capital investment programme, which is the heaviest in Western Europe and accounts for 28 per cent of the national income, been a success? Can it be kept up without imposing continuing and increasingly irksome restrictions on the

country, even if foreign capital is forthcoming? Will foreign capital be forthcoming when dividends are strictly limited in Norway and terms in other countries are more favourable? Why is the trade deficit so large (Kr. 590 million in the first six months of the year), and so much larger than "planned"? Is the real remedy to cut government spending and introduce a greater measure of freedom in the economic life of the country? Or does the comparative failure—comparative in regard to what was expected, not in regard to the magnificent work already done—call for even stronger controls and better plans? Finally, how long will the enterprising and strongly individualistic Norwegians put up with "emergency" conditions?

Since the war Norway has maintained a high degree of economic direction and control. The considerable powers granted during the postwar emergency were always understood to be temporary. In the spring of last year, however, the committee which had been considering their fate proposed that they should be incorporated in permanent legislation. Its report, modified to meet the comments of interested parties, formed the kernel of the law which was debated and passed by the *Storting* this spring, and is to take effect on July 1st next year.

This Price Regulation Law sets up a Price Council of five persons to supervise through local offices its detailed execution on principles laid down by the Cabinet. Prices, profits, the level and type of production, the quality of goods and conditions of business may all be controlled. Firms may be compelled to publish accounts. Dividends are limited to that proportion of capital that is laid down each year by the *Storting* for particular groups of shareholders; the Price Council, however, has the right to make individual modifications.

Stupidity and Shock

The significance of this law is that it epitomises a doctrinal schism. The Socialists have put into practice the theory that the state should have control of the economy; the Right, while admitting that some controls are at present unfortunately necessary, maintain that they should be as few as possible. In practice there is much common ground; but there is, nevertheless, a basic principle involved.

In essence, the Law contains little that cannot be found in the 1945 measure on economic controls, the *Lex Thagaard*, and the government can point with justice to the fact that the extreme provisions of this earlier measure have never been employed. But, inevitably, no matter how altruistic and well intentioned legislators may be, the operation of numerous controls and regulations by a large bureaucracy produces instances of official stupidity and injustice to the individual. Several such cases, publicised in the last year or so, have caused shocked doubts in many Norwegian minds. One senses a feeling that, although so much of the government's policy is accepted, even when irksome, there is a growing restlessness and an uneasy, ill-defined belief that, if it is continued and perpetuated, it may develop into a threat to that individual freedom which Norwegians cherish so highly. Until the Opposition is either united or dominated by the Conservatives, or until international developments place a greater strain on the structure of the Norwegian economy as built by years of socialism, this mood is not politically important. But it may decide the 1957 elections.

Federal Politics in Central Africa

A GENERAL election of vital importance will be held in December to fill the legislature of the new Central African federation. In anticipation of this event there has been an unprecedented surge of political activity in the three constituent territories—the two Rhodesias and Nyasaland. New parties have been formed; new alliances made and old ones dissolved; and new personalities have appeared on the political scene. When the dust settles a straight fight between two main parties—the Federal party and the Confederate party—will probably emerge. But the picture is not entirely clear and new forces may yet appear.

At one time Sir Godfrey Huggins, who has resigned his premiership of Southern Rhodesia to take over the interim federal administration, hoped that federal politics, at least in the formative years, would be put above party or sectional squabbles. But it was rather an ingenuous hope since opposition to federation, or more precisely to the form of federation, is not confined to the Africans. As a step towards his ideal of floating the new federation off on a tide of bi-partisanship, Sir Godfrey, in concert with the leaders from the other two territories—Sir Roy Welensky and Sir Malcolm Barrow—formed the Federal party. This organisation is open to anyone—European, African or Asian—in the three territories who subscribes to the general objective of racial partnership expressed in the preamble to the federal constitution. It has gathered into its ranks most of Sir Godfrey's United party, some of the Southern Rhodesian opposition parties, followers of Sir Roy Welensky in Northern Rhodesia and of Sir Malcolm Barrow in Nyasaland, and some influential African leaders. Though it was intended at first to take part only in the federal elections, the advent of the Confederate party, bent on contesting both territorial and federal seats, has caused the party to revise its ideas; but it has not as yet committed itself to fight territorial elections.

Definition of Partnership

On August 7th the Federal party held its inaugural congress at Salisbury. It soon became clear that the new party would be forced to take an unequivocal stand on its native policy. Sir Godfrey and his colleagues had originally intended to pass lightly over the question of partnership; but the appearance of the Confederate party with its main emphasis on racial questions forced them to abandon this intention. A congress resolution attempting to define partnership in terms of senior and junior partners, who by mutual desire preferred separate social and residential existence, was a disappointment to the liberal element. But it was a consolation that the definition of partnership finally evolved did at least exclude any reference to junior and senior partners even though it retained its emphasis on traditional segregation.

First in the field to oppose the Federal party was the Democratic party, formed primarily by Afrikaans immigrants from South Africa, and unashamedly in favour of the Malan principle of "apartheid." The party had scarcely begun to build up a permanent organisation and had yet to be tested at an election, when its leaders became asso-

ciated with dissident groups from other parties in the formation of the Confederate party.

The Confederate party, which is open to Europeans only, is openly hostile to the policy of partnership and integration which it assumes is proposed by the Federal party. It favours rather a policy of parallel development of black and white races in separate states, which would ultimately be joined in some—still nebulous—form of federation. In effect this is the Bantustan proposal put forward in South Africa by Dr Oswald Pirow. It is doubtful, however, whether the whole of this heterogeneous party subscribes to the idealistic concepts of parallel development, or indeed whether many of the confederates are any more high minded on this matter than the South African Nationalists. But the principle is one which appeals intrinsically to the white settler mentality.

Incompatible Political Strains

The party is handicapped by its lack of personalities in contrast to the galaxy of stars who have thrown in their lot with the Federal party. The party leader, Mr J. Dendy Young, an advocate and former cabinet minister in Sir Godfrey Huggins's government, is the leading light. He has a personal following in Southern Rhodesia, but unfortunately has estranged himself in the northern territories by proposing that Northern Rhodesia and Nyasaland should, with the exception of certain small enclaves, be "black" states. Other personalities include Mr Max Danziger, a former minister of finance, Mr A. B. Mentz, former leader of the Democratic party, and Mr G. R. Musgrave, a member of the Rhodesia party. These incongruous personalities and the equally incompatible political strains they represent are united only in their hostility towards the integration of the African into the political and social structure. It will be difficult for the party to avoid ruptures on any other subject, such as the connection with the mother country.

A third party in federal politics is the Progressive party, formed in Northern Rhodesia by Dr Alexander Scott. It is openly liberal in sentiment, and though its numerical following is small, its influence may ultimately be quite important. It may for instance gain the support of the elected African members, who number six out of the total assembly of 35. The Rhodesian Labour party has recently announced its intention of entering the federal field. How serious its challenge will be depends not only on its own cohesion—there are signs of a split—but also on its appeal to European trade unionists in the copper belt. Another potential contestant is the Rhodesia Party which opposes the United Party in Southern Rhodesia. Its policy towards federal politics is still obscure, but it is unlikely to command much support in the two northern territories.

No purely African party has yet emerged to take part in the federal elections, and indeed it is most unlikely that the discordant African politicians could find sufficient common ground. In Northern Rhodesia and Nyasaland, for example, many of the Africans reject the whole federal scheme outright, while others adopt a suspicious wait-and-see attitude. In Southern Rhodesia many of the African leaders, encouraged by demonstrations of European goodwill, such as the open membership of the Federal party and the multi-racial university, are preparing to co-operate, but others remain hostile and suspicious. The African electorate in all three territories is politically inexperienced and there is no means of forecasting how they will use their new democratic right.

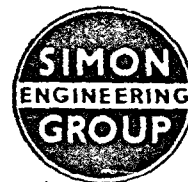
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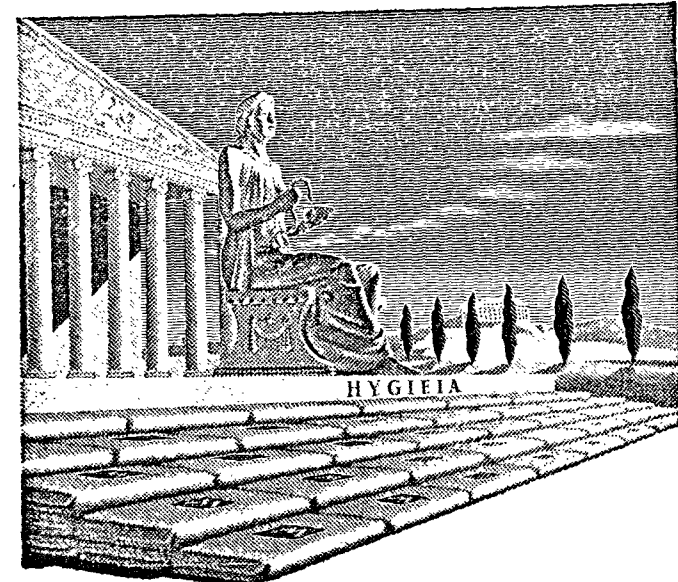
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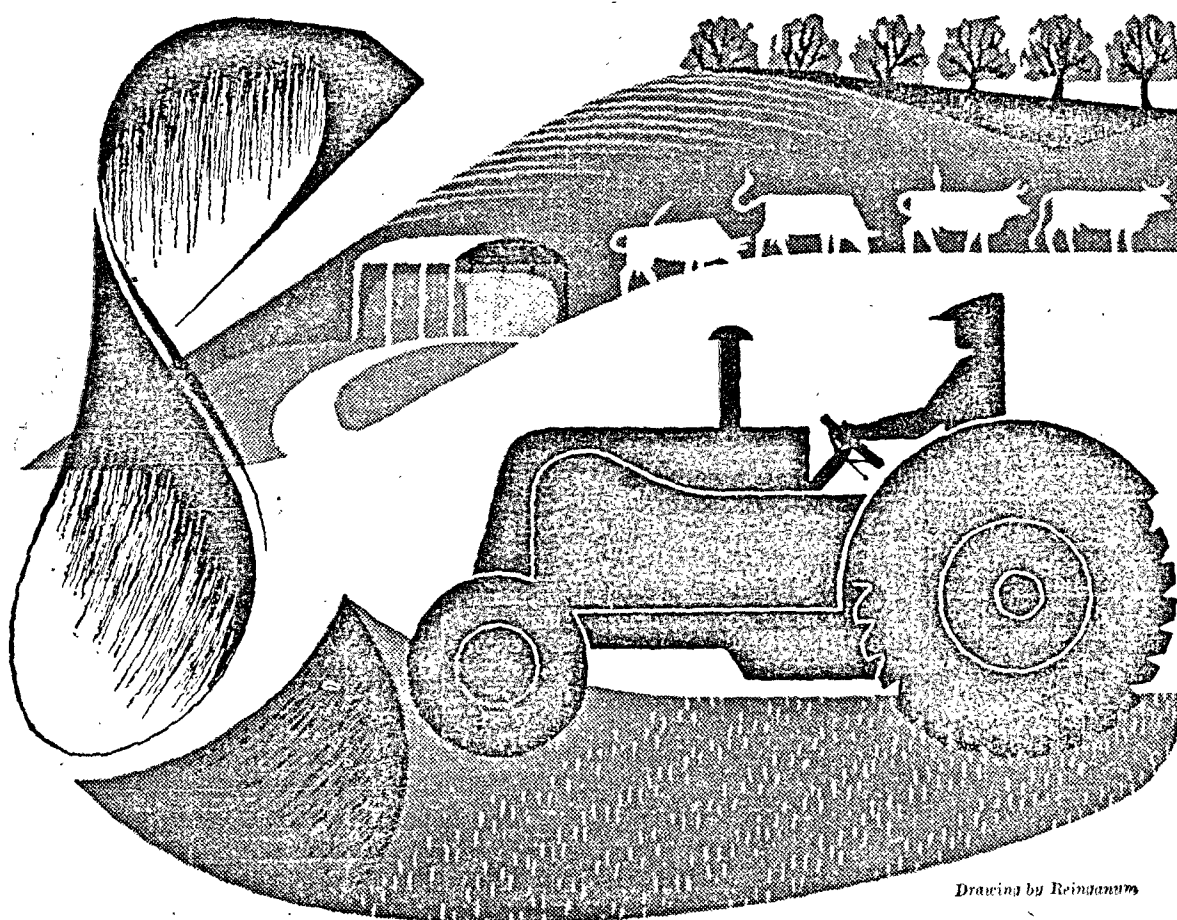
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THE BUSINESS WORLD

Conversion without Strings

THE Treasury's plan for its much-discussed refinancing operation was announced after the close of business on Wednesday, less than a fortnight after the surprise reduction of Bank rate. The shortness of this interval, which to some people may imply that the Treasury has acted with indecent haste to seize its advantage, is leading the City to scrutinise both the strategy and the tactics with more than usual care. In one sense, every government issue is an act of monetary policy; but this time the connection between issuing technique and wider policy is peculiarly intimate and fundamental. This operation is the first practical test of the principles of monetary flexibility officially expounded a fortnight ago in explanation of the change in the Bank rate. It provides an objective means of judging how far that move was indeed a mainly technical adjustment for a technical purpose—as distinct from being either the “green light” or the mere lubricant for funding that many still suppose. On the information so far available, it can be said at once that those official explanations, fully discussed in these columns last week, come through the test pretty well.

The refinancing takes the form of a double-choice conversion offer to holders of the nearest bond maturities, the £577 million of 1½ per cent serial funding stock due at mid-November, and a cash offer of unlimited amount. Holders of the maturing bonds have the option until next Saturday to convert at par either into the existing 1½ per cent Serial Funding Stock, 1954, or into a new 2½ per cent Serial Funding Stock, 1957. If they choose the former, they will also receive a cash payment of 7s. per cent (equivalent to the difference between the market prices of the 1953 and 1954 stocks before the offer); if they choose the latter they will get 15s. per cent in cash (the difference between the 1953 price and a notional price computed

for the new stock from Wednesday's market pattern). In addition, there is to be a straight offer for cash of a new 3 per cent Exchequer Stock, 1962-63, at 99½, which is not available for conversion applications; the lists for this stock will open and close on Monday next.

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Any appraisal of the strategy of this operation has to start from the fact that its immediate purpose is to deal with the 1953 stock, which itself stems from the unprecedented funding operation of November, 1951, when £1,000 million of 1952, 1953 and 1954 stocks were placed in exchange for Treasury bills as a means of buttressing the first move from an atrophied monetary policy towards a “positive” one. Half that sum, it will be recalled, was allocated among the clearing banks in proportion to their deposits, in order to cut away their abnormal excess of liquid assets and thus to make the reviving sanctions of monetary discipline the more effective. The rigidities of that compulsory funding of bank holdings of Treasury bills were not repeated last autumn, when the first of the 1951 issues matured, but the operation of 1952 was still an abnormal one. The banks were obviously “expected” to convert their maturing funding stock, by the method of “leap-frogging” into either of the two later issues or into a new 1955 issue; and they were likewise “persuaded” to take additional slices of these stocks—actually to an amount approaching £250 million—ostensibly for cash but in practice in exchange for bills. The technique of persuasion was more flexible than on the first occasion, but the banks were left in no doubt that the authorities wished them severally to subscribe in “cash” for amounts approximately sufficient to reduce their liquidity ratios (i.e., the ratio of cash, call money and bills to gross deposits) to a given target level.

On both occasions, therefore, pressure was brought to bear on the banks and was used as a means of controlling bank liquidity, creating fears that this technique of pressure and "leap-frogging" of maturities might become a regular autumn habit. But devices such as these make a mockery of the principles of freedom and flexibility in the monetary system, and could be regarded as tolerable expedients only in the first difficult phases of the transition to an effective monetary policy. Any repetition of them this year would have been a clear denial by the authorities of the very principles that led them, according to the official explanations, to the recent "unification" of Bank rate—and would have gone far towards frustrating the objectives of monetary flexibility to which they then committed themselves. The drive for flexibility in the banking system, in order to restore the full sensitiveness of orthodox control by the central bank, requires the fullest co-operation from the commercial banks; and they could hardly be expected to break down their own rigidities if the authorities themselves continued to set a bad example.

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The first and most significant fact about this year's operation is that it has avoided these dangers by dropping the ugly precedents of the two previous years. The authorities have affirmed categorically that the banks have now been left entirely free to judge these offers as they please—to take cash for their maturities if they wish, to abstain from the cash offer if it does not appeal to them, or to participate in it on any scale they please. Their average liquidity ratio is now very high; at 37.4 per cent, it is only a little below the 38 per cent shown on the eve of last year's funding. But there has been no request that they should aim now at any given reduction—or even, apparently, at any reduction at all.

If this is so, the operation harmonises precisely with the welcome principles emphasised a fortnight ago, and goes far to confirm that the "technical" objective of the Bank rate reduction was indeed the primary one.

The more detailed characteristics of the refinancing follow logically from this fundamental one, the move towards freedom. Had the authorities been intending to repeat the pressure tactics, they could not reasonably have gone beyond the three-year echelon of maturities adopted in the two previous years. But, as it is, they have felt free to vary the pattern in two ways, both of which improve upon those hand-to-mouth tactics. The investment needs and present habits of the banks diverge considerably from one institution to another. For those holders of 1953 stock who are anxious to keep very close to the shore, there still is the option to move into the 1954 stock—but to pay the present high price for that kind of liquidity, for the yield is no better than that from a Treasury bill. But there is also an innovation, the dropping of 1956, the next date in the old echelon, because it is now heavily burdened with the 1954-56 stock recently exchanged for 1952-54s; the choice of the new 1957 stock has the advantage that it will mature in a year in which there are only £101 million of possible existing maturities (the 2½ per cent Funding Stock, 1952-57). The gross yield to redemption is £2 8s. 10d. per cent, which is less than that on the 2½ per cent stock to final date, but it is probably sufficient to make the single-dated stock attractive to some institutions.

The most interesting consequence of the new freedom is the offer for cash of a stock with a life of 8½-9½ years, a substantially longer life than was open to the authorities so long as they relied upon pressure tactics. Because of the offer earlier this year of two tranches of 3 per cent Exchequer stock, 1960, the market had lately discussed the possibility of further issues at or

about this date; but it had not envisaged the further forward move, to 1962-63, both of which dates have a special attraction for the authorities in that they are at present entirely free from compulsory maturities. This stock may look too long to a few of the banks, but the interest recently shown by others in the 1960 stock suggests that it may make an appeal to them, as well as to the particular needs of other financial institutions, including some pension funds. The authorities, at all events

GILT-EDGED YIELDS								
	Nov. 8, 1951	Mar. 13, 1952	June 24, 1952	Sept. 16, 1953	Sept. 18, 1953	Sept. 23, 1953	Sept. 30, 1953	Oct. 1, 1953
2½% N.W. Bonds, '52/54.	£ s. d. 2 2 5	£ s. d. 3 3 9	£ s. d. 3 14 2	£ s. d. 2 9 0	£ s. d. 2 7 6	£ s. d. 2 6 0	£ s. d. 2 2 9	£ s. d. 2 5 9
1½% Ser. Fund., Nov., '53	1 9 11	2 19 10	2 16 2	2 10 5	2 7 7	2 3 9	2 3 10	1 15 9
1½% Ser. Fund., Nov., '54	1 15 0	2 18 7	3 5 1	2 7 6	2 4 3	2 3 10	2 2 3	2 1 6
3% Ser. Fund., Nov., '55.	2 0 10	3 3 5	3 12 8	2 10 10	2 6 11	2 6 11	2 6 2	2 6 1
2½% N.W. Bonds, '54/56.	2 0 10	3 3 5	3 12 8	2 10 2	2 7 8	2 7 3	2 6 6	2 6 11
2½% Exch., Feb., '55....	1 17 0	3 4 0	3 12 1	2 7 7	2 3 6	2 3 6	2 3 0	2 3 11
2½% Ser. Fund., Nov., '57	3 8 2	4 0 5	4 8 3	3 7 10	3 6 6	3 6 11	3 6 7	3 6 1
3% Sav. Bonds, '55/65...	2 19 6	3 16 5	4 2 0	2 17 7	2 15 10	2 15 8	2 15 1	2 16 4
2½% Funding, '56/61....	3 13 5	4 8 4	4 12 6	2 15 9	2 14 2	2 14 6	2 14 3	2 15 4
3% Exch., Mar., '60.....	3 13 5	4 8 4	4 12 6	3 17 4	3 14 9	3 15 0	3 14 4	3 14 4
3% Sav. Bonds, '60/70...	...	...	...	...	...	...	3 1 2	3 1 2
3% Exch., '62/63.....	...	...	...	...	...	...	...	...
2½% Sav. Bonds, '64/67..	3 8 4	4 3 7	4 7 10	3 11 9	3 8 11	3 9 4	3 8 8	3 8 7
3% Sav. Bonds, '65/75...	3 14 4	4 7 3	4 11 11	3 18 6	3 15 11	3 16 1	3 15 8	3 15 8
3% Funding, '66/68.....	3 11 4	4 5 8	4 10 10	3 12 0	3 11 8	3 11 6	3 11 3	3 11 3
3% Elect., '74/77.....	3 14 3	4 6 8	4 10 11	3 18 2	3 16 0	3 16 2	3 15 8	3 15 7
3½% Elect., '76/79.....	3 15 11	4 8 0	4 10 6	4 0 3	3 18 7	3 18 7	3 18 5	3 18 3
3% Transport, '78/83....	3 18 2	4 8 6	4 11 2	3 19 7	3 16 8	3 17 3	3 17 6	3 17 5
3% Gas, '90/95.....	3 17 5	4 7 7	4 9 5	3 17 11	3 14 9	3 15 3	3 15 2	3 15 2
3½% War Loan, after '52.	4 2 0	4 11 8	4 16 2	4 4 11	4 1 9	4 2 6	4 2 10	4 2 11
2½% Consols.....	3 17 8	4 5 3	4 10 7	4 1 1	3 17 3	3 17 9	3 18 1	3 18 1
2½% Treasury.....	3 19 3	4 8 2	4 13 10	4 1 8	3 17 9	3 18 6	3 19 0	3 18 10

All redemption yields are to latest dates.

have obviously taken care to make it attractive; the redemption yield of about 3½ per cent makes both the nearest competitors (the 1960 and 1956-61 stocks) look dear.

It is hoped, apparently, that perhaps £200 to £300 million may be secured from this cash offer; and to judge from first impressions in the banks and the market, that may not be an unreasonable hope. At a guess, the higher of these figures would probably leave the Treasury with a fair net margin in hand for redemption of Treasury bills; whilst the lower figure should at least ensure that the £577 million of maturities are approximately covered—either by cash or conversion. It seems certain that the authorities themselves already hold a significant proportion, but outside holdings are not confined to the banks—they include some private holders and also some overseas moneys (since an important slice of the original issues in 1951 replaced Treasury bill holdings in the overseas sterling balances). The attitude of such holders to the conversion offer is quite unpredictable. But there seems a reasonable chance that the immediate objective will be attained—and, conceivably, may be comfortably exceeded.

The very fact that the authorities have focused upon their immediate task is, however, significant. The notable omission from this operation is any offer to the holders of the £412 million of 1952-54 National War

Making Airlines Pay

THE reports of the two British air corporations for the past financial year to March show that expansion of traffic alone does not put air transport on its feet. Costs have been rising faster than revenue. The income of British Overseas Airways went up nearly 8 per cent to £36 million, but the final result was a net deficiency, after meeting all charges, of more than £800,000. British European Airways secured 21 per cent more revenue, taking £13 million; but it lost £1.5 million on the year's operations. Taken all round, 1952-53 was a poor year for airlines as a whole; the International Air Transport Association's annual meeting in Montreal next week will echo the general story of rising costs and falling net income. If a single reason is sought for this disappointment, it is that the air transport operators have provided more capacity in the air than was justified by the increase in traffic. But to take this as the sole reason why British airlines lost money would be an over-simplification that would ignore many factors in their complex environment.

The two corporations are not directly competitive. BOAC carries the long-range traffic (though it handles, incidentally, a good deal of short-range traffic) and BEA is mainly but not exclusively concerned with short-haul traffic. These operations are basically different, but for

Bonds that remained unconverted after the operation of last July; this is likewise a departure from the precedent of last autumn. And it is also clear that the authorities, though doubtless hoping that the outcome will be some funding of Treasury bills and therefore some reduction in the banks' excess of liquidity, have not made any forthright effort to bring this about. For the present, they are content to rely upon the healthier condition of the market, the new squeeze upon bank earnings (because advances rates have fallen more than deposit allowances), and the implications of their more flexible monetary policy.

In the circumstances, the authorities are perhaps entitled to claim that they have not unreasonably sought to capitalise the opportunity created in the market by the Bank rate reduction. They have concentrated upon the one task—the meeting of the mid-November obligation—that could not be delayed. They have, of course, reaped some advantage from their Bank rate decision; in the past fortnight about ¼ per cent has been lopped from the yield basis of the 1954 stock, and the corresponding gains for them on the two new stocks might be guessed at between 1/16 and ½ per cent. But, if this is the measure of the cost of freedom from "persuasion," and the promise of a genuinely more flexible monetary policy, the bankers ought to regard it as cheap at the price.

each of them three factors decide whether or not they are profitable. One is traffic; the second is aircraft; and the third is overheads.

BOAC's report (analysed in some detail last week) revealed that the traffic carried last year was not up to its expectations. In the previous year, 1951-52, the corporation made its first real surplus of £275,000 after meeting all charges. In that year BOAC offered for sale 20 per cent more capacity; it needed to sell 65 per cent of that capacity to break even and, in fact, sold 65.7 per cent, tipping the balance from loss to profit. The formula that worked so successfully in 1951-52 was not so fruitful in 1952-53. The amount of capacity offered was again increased, this time by 10 per cent, from 195 million to 215 million ton-miles. At the same time, higher costs pushed up the cost of flying each ton-mile from 38.8 pence to 40.1 pence. The result of this was to raise BOAC's break-even point to 66 per cent of the capacity it offered last year. But extra traffic did not match the extra flying and higher costs and only 64.5 per cent of the capacity offered was sold, compared with 65.7 per cent of the lower capacity offered in 1951-52. BOAC's expenses rose by 12.4 per cent, revenue rose by only 7.7 per cent; the corporation's operating profit was negligible, and after paying interest it was well in the red.

By now, traffic has probably caught up with the extra capacity offered for sale, and the sharp contraction in international trade that reduced the amount of freight and mail traffic well below the figure that the airlines expected has been corrected. But this demonstration that expansion of services alone does not make airlines pay is salutary, for both corporations are at the stage of making major advances in their fleets and in their scale of operations. When the same kind of expansion is taking place in most of the other major airlines as well there is a prospect that, for the immediate future at least, there may be more capacity offered for sale by the world's airlines as a whole than there is traffic to make it pay. If airlines generally failed to sell enough capacity to do well last year, they will be having hard thoughts about the success of tourist services. No doubt reduced-price services attract new passengers, but there are signs that they draw passengers away from the first-class services. Tourist services are not confined, as was first intended, to obsolescent aircraft, with a cheap fare to compensate for their "less eligibility." Sometimes there is little to choose between the amenities offered on the so-called first-class services and on tourist flights—or not enough difference to attract enough passengers to the more expensive flights. BOAC's Comet services are a possible exception; the Comet has proved to have such appeal for passengers that it has earned more than enough to cover its relatively high costs of operation.

Contrary to BOAC's experience, there has been no shortage of traffic on the routes flown by British European Airways and is not likely to be one in the immediate future. Tourist services were not introduced into Europe until April, 1953, after the period covered by BEA's accounts, but during the summer it might have been possible to sell most of the available seats at first-class fares, whereas those sold at tourist rates carried an average discount of 20 per cent.

The financial difficulties of BEA in 1952-53 arose partly from the nature of the traffic carried and partly from the aircraft used. BOAC has had modern aircraft, Constellations, Stratocruisers and now Comets for some years; BEA operated more than 90 per cent of its services last year with fairly old machines like the Viking, comparatively uneconomic to operate and less able to attract traffic than newer machines belonging to rival airlines. The 12 Ambassadors that went into service during the financial year 1952-53 had more than their share of teething troubles to keep them on the ground. Nevertheless, it is due to them (and to the withdrawal from service of some highly uneconomic Rapides used in Scotland) that BEA's costs per ton-mile actually fell 3 per cent, from 51.1 pence to 49.5 pence when BOAC's costs were going up. This is a measure of the power of aircraft to influence an airline's financial out-turn.

In this financial year, 1953-54, BEA really enters the stage of being able to operate a modern and efficient fleet. Its fleet of 20 Ambassadors and 26 turbo-prop Viscounts is gradually being built up and the Vikings

are being sold. Yet the profit earned in the first six months of the year is no higher than in the same six months of 1952, when there were no Viscounts and only a handful of Ambassadors in service. Possibly the provision of maintenance facilities, including the training of engineers, for the new aircraft, has eaten up some of their profits, but it is also likely that the profits are smaller than they might have been if all the new aircraft had been flying on first-class and not largely on tourist services. Whether this is a fair assumption or not, BEA is modifying its policy of all-tourist services and re-introducing first-class flights on all major routes in its new winter schedules.

*

There was one negative consolation last year; BEA's revenue rose faster than its expenditure. Total earnings rose by 21 per cent to £13 million, while expenditure rose by 19 per cent to £14.6 million. Capacity was increased by 22 per cent to 69 million ton-miles and the amount needed to be sold to break even was reduced from 73.2 per cent to 69.9 per cent; however, the total capacity sold averaged only 62.9 per cent. Lack of modern economic aircraft alone does not explain the persistent inability of BEA to cover its costs. Its operations, being largely of short-haul character impose on it a special handicap—that of an erratic pattern of traffic. There is the inevitable seasonal fall in winter, but more marked than in long-range traffic; in addition, traffic fluctuates violently during the holiday season, when there is a mass exodus of British travellers to Europe that is not balanced by a compensating flow of foreign visitors to Britain. The extreme case is that during the holiday weekends an aircraft flies full one way and empty the other—at a load factor, that is, of 50 per cent. Capacity over short and medium ranges tends to be greater than can be economically employed all the year round, and so the most efficient use of aircraft on such services is likely to fall a long way short of the ideal.

A second feature of BEA's operations is that the impact of the overheads incurred in handling passengers is much heavier on short-distance bookings than on long journeys. The average single ticket sold by BEA is about 7 guineas, compared with an average sale for BOAC of about £80. But it costs BEA £2 to handle each passenger, which is a big bite out of the 7 guineas revenue from the sale of the ticket and, moreover, is incurred every few hundred miles. Much of this cost is involved in complying with all the formalities laid down when a passenger goes from one country to another and is outside the control of BEA. But before the corporation can hope to improve its financial position these handling expenses will surely have to be drastically cut.

In 1953-54, BEA will be operating with modern and more efficient aircraft, but it will also have to service the £10 million loan raised to pay for them—which probably means the doubling, to about £600,000, of

the interest charges carried by BEA—and it may still not be possible to break even. But besides the general liabilities peculiar to short haul operation, BEA carries the mill-stone of the so-called "social services" to Scotland and to the outer islands. The corporation has to operate these services—indeed the Minister of Civil Aviation can make it do so—but there seems no prospect of anything but a continued heavy loss until an aircraft can be found that can operate from primitive landing fields at a cost that can be covered by small traffic. These services were responsible last year for about £500,000 of the £1.5 million deficit and there is much to be said for the offer put forward by BEA to forgo all claims to a government subsidy on its main operations, including the major internal routes, if the government would make a payment for "services rendered," such as a guaranteed revenue per ton-mile, on these recognisably uneconomic routes.

Such a suggestion, at any rate, has more to commend it as a way of putting the corporation's affairs in order than the frequently aired proposal that the two corporations should be amalgamated. There is no likely scope for economy by combining the two under one management; their operations are poles

apart and the aircraft that they need for them are totally different. There is no reason to believe that one corporation would perform the two very different operations more successfully than BOAC and BEA. The different factors that govern their working would not disappear if they were merged into one body. There would be an end to competitive emulation between them, and an increasing risk of diseconomies of large scale. Both corporations meet stiff competition from foreign airlines for traffic, and there is no reason why their joint arrangements for the handling of transit traffic should be less efficient than similar arrangements made between two departments of a single corporation. It is only too easy to find extenuating circumstances for an airline that loses money; the reports of both corporations include plenty of them. But it is never easy to bring home to a single management that these are the normal commercial risks of air transport for which they should make provision. In spite of last year's set-backs, the prospect that the two corporations should be able to pay their way are quite fair. So long as that is so, a single airline would in the long run almost certainly cost the taxpayer a good deal more than BEA and BOAC.

Business Notes

Industrials Still Improving

WHILE gilt-edged were shifting their stance in preparation for the cash-cum-conversion issue, industrial equities gained further ground in this second week following the change in Bank rate. By Wednesday's close the *Financial Times* index of industrial ordinary shares stood at 126.9, compared with 125.2 a week before and with the previous 1953 peak of 126.0 (reached three days after the Bank rate reduction). Equities were helped in this improvement by the fact that the Dow Jones index of industrial stocks on Wall Street rose from 262.35 to 264.04 in the week, and has thus now made good all but 1½ of the 10 points that it lost in the four days of panic selling in early September. But the main influence on the London market this week was undoubtedly the decision of the directors of Imperial Chemical Industries to raise their interim dividend for 1953 from 5 to 6 per cent (a decision that is discussed in Company Notes on page 55 of this issue), coupled with further evidence from other company reports that the current level of industrial profits is considerably higher than in the second half of last year. Indeed it is possible that, for consumer goods industries at least, profits may be very

nearly back to the level they had reached before the Australian import cuts in March, 1952.

As with profits, so with industrial production. The Central Statistical Office's index of industrial production for August is provisionally estimated at 105.106, compared with 99 for the same month a year ago and with 104 in August, 1951. It has thus maintained its lead of around 7 per cent over a year ago, as did the index for July (which is now estimated at 110 compared with 102 in July, 1951); within the separate components of the July index, manufacturing output was estimated at 112 per cent of the 1948 average compared with 102 in July, 1952, but the index of output in the mines and quarries (thanks largely to the fact that the miners enjoyed a second week's holiday for the first time this year) was down to 84 compared with 94 in July, 1952. It would not be altogether surprising if the rise in industrial production flattened out in the next few months. For one thing, unemployment, which fell continuously up to July (to only 1.3 per cent of the labour force) rose slightly more than seasonally—to 293,500, or 1.4 per cent of the labour force—in the month to mid-August. But meanwhile company profits statements have still to reflect the very substantial rises in output and sales that have been enjoyed since the spring of this year.

Commonwealth Confers

AN imposing programme of Commonwealth economic discussions stretches over the months immediately ahead, even although nobody seems to expect any really significant decisions to be taken at any of them. This week the Economic Secretary to the Treasury, Mr Reginald Maudling, who is beginning to rank for the title of Britain's peripatetic financial envoy, sets out for a series of visits that will take him via Bagdad, Karachi, Colombo, and Bombay to New Delhi. At Delhi he will attend the meeting of the Consultative Committee for Development in South and South East Asia (that is, the authority in charge of the Colombo Plan) from October 13th to 19th. After this meeting Mr Maudling will be taken on a tour arranged by the Government of India to inspect the Modar Valley project and other symbols of the Colombo Plan in action. In all these sterling area capitals Mr Maudling is expected "to hold informal talks on matters of general interest to the sterling area." After his recent visit to Washington he is likely to be in a mood to discuss generalities—but nothing else.

Three months hence it will be the Chancellor of the Exchequer himself who will take wings and represent Britain at the meeting of Commonwealth Finance Ministers that is to be convened in Sydney on January 8th. The meeting will be preceded, as was the last Commonwealth Economic Conference, by discussions among officials. The Australian Prime Minister, Mr Menzies, this week described the agenda for the meeting: it will "enable the Finance Ministers to review together such subjects as the balance of payments prospects for the sterling area in 1954, progress with the plans for moving toward a system of freer trade and payments covering the widest possible area, and co-operation in development of the economic resources of the Commonwealth." This is indeed a vague field of debate; but since the Finance Ministers will be meeting before they will have any indication of the recommendations that may be made by the Randall Commission on Foreign Economic Policy in the United States—and, still less of what the Congressional reaction to that report may be—this vagueness is hardly surprising. It is no doubt desirable that the Finance Ministers of the Commonwealth should meet as often as is reasonably possible and that they should occasionally assemble when they are not pulled together by the compulsion of a sterling crisis. Added sentimental justification may be attached to the meeting by its coincidence with the Royal Tour of Australia. But, sentiment apart, it is difficult to avoid questioning whether this particular journey is really necessary.

Exchequer Accounts on Target

THE Exchequer accounts for the first half of the financial year 1953-54 show an above-the-line deficit of £277 million (compared with £293 million in the first half of 1952-53), and an overall deficit of £503 million (compared with £589 million a year ago). This is comfortably in accordance with—in fact, slightly better than—estimate.

Last April Mr Butler estimated that ordinary revenue would fall by £71 million this financial year, but that ordinary expenditure would fall by £92 million, giving a net accretion of £21 million to his surplus; in fact, in the first six months, ordinary revenue has fallen by £44 million and ordinary expenditure by £60 million, thus leaving his ordinary deficit in this customarily adverse half-year some £16 million smaller than in the equivalent six months of 1952-53. Below the line, the outturn has been even better. Mr Butler had estimated that his net below-the-line payments would rise by £25 million this year, but they have in fact fallen by £71 million in these first six months. It should be noted, however, that net issues from the civil contingencies fund (which are entered below the line) are shown as £15 million at the end of this September compared with £35 million at the end of last. But for this distortion, which may be connected with the transfer of commodity stocks to private hands, the above-the-line accounts would have been some £36 million better than a year ago and the below-the-line accounts some £51 million better. This is probably the right perspective in which to view the figures.

The fall of £44 million in ordinary revenue in the half-year is wholly accounted for by a decline in profits tax, income tax and surtax, the greater part of which are always garnered in the last three months of the financial year. Despite the cuts in purchase tax rates, customs and excise receipts have actually been £11 million higher than in the first half of 1952-53 (compared with an expected drop of £39 million for the whole year). The whole of the fall of £60 million in ordinary expenditure has occurred in supply expenditure; this figure is, of course, distorted by the fact that in 1953-54 as a whole £140 million of defence expenditure (compared with £85 million in 1952-53) is to be cavalierly credited as "paid for" by American defence aid. This means that some £27½ million of the apparent reduction in expenditure between the first half of last year and the first half of this is rather bogus; but, as this bogus element was already included in the year's estimates, there is no need to labour the point now.

The story behind these figures is that production and consumption have both kept well up to the estimates made at budget time, and have thus prevented any deterioration in the accounts such as was caused by the unexpectedly stringent pinch of disinflation in the first half of 1952-53. On the other hand, prices have not risen more rapidly than the Government had anticipated, so that the artificial inflation of revenue that gave such a misleading and unhealthy gloss to the Exchequer accounts in 1951-52 and some earlier years has again been absent. The budget accounts are therefore on target—and, much more important, the outturn in the economy as a whole is so far on target too.

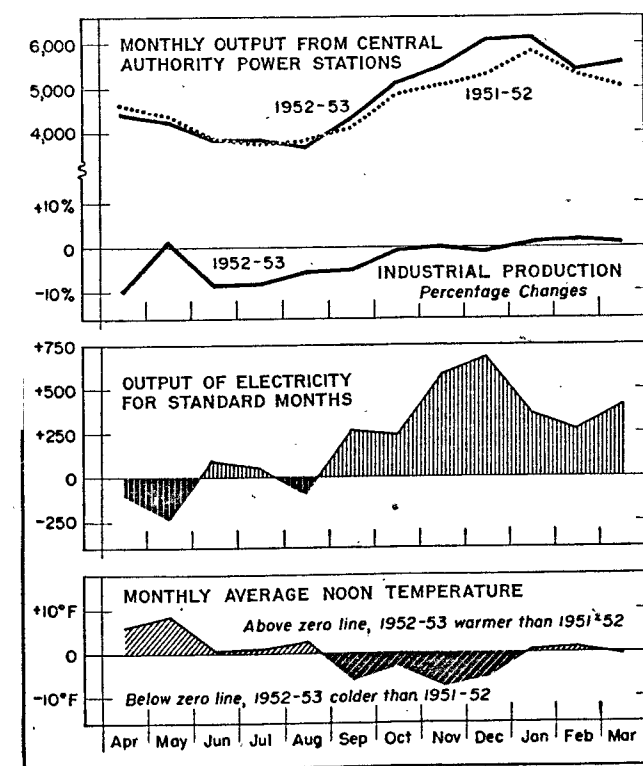
Electricity Recovers Too

IN the first five months of its financial year to last March, the British Electricity Authority experienced a marked falling off of maximum demand and output. These are not conditions that BEA could be expected to enjoy. For a period, they must have rocked, if only gently, traditional

assumptions about the natural growth in the demand for electric power. But industry picked up and the winter was agreeable, for BEA at least; "the cold weather . . . was more remarkable for its duration than its severity." So winter power cuts were kept down to six; sales of units increased by 3.7 per cent at an average price 7½ per cent above that of 1951-52; and the combined surpluses of BEA and the Area Boards (six of which were "in the red") reached £7,280,823 after provision for depreciation, based on historical cost, and interest. After a year which produced the smallest surplus (£2,918,837), 1952-53 provided the largest surplus since vesting day five years before.

Such results, for a year in which output capacity increased by 9.3 per cent and seven large new power stations were brought into commission, must have been much less spectacular than BEA had hoped in its original planning, and yet much better than they might have feared early in the year. The load factor behaved perversely by dropping from 46.9 per cent to 44.7 per cent but more of the load was supplied by new plant and there was a further

ELECTRICITY OUTPUT, 1951-52 & 1952-53.
n million units ("Standard Months" Output shown for 1952-53 above or below same month of previous year).
Industrial Production shows variation from same month in 1951-52.



improvement in thermal efficiency from 22.04 per cent to 22.72 per cent. This last improvement went some way towards counteracting the rise of 5.8 per cent in the delivered cost of heat to BEA and limited the rise in fuel costs per unit to 2.6 per cent.

"Electricity," observed Lord Citrine this week, "is still cheap." There are, indeed, few things that the consumer buys which cost a mere 25 per cent more than in 1939. Part of that cheapness comes from the rooted conviction that BEA does its duty as a public corporation by provid-

ing for depreciation on the basis of historical cost; as history moves on and more plant at current costs has to be depreciated, the provision will have to be increased. A rising burden for interest and depreciation is one of the spectres that is bound to attend BEA's expansive planning. So, perhaps, is the future structure of tariffs for bulk supplies to the Area Boards; in fixing these, BEA exhibits none of the inhibitions about charging the cost of peak hour production that are to be seen in retail tariffs. There are to be no changes in 1953-54, but in the following year three major revisions are contemplated including, as a first principle, "the revision of the relationship of the fixed and running charges in the tariff, so as to reflect more closely the fixed and running costs of production."

Planning without Prices?

BUT if there are signs of progress here, and in the belated acceptance of the idea of outdoor boiler plant, there are few in retail tariffs. The possibility that it might cost less to save a kilowatt than to install it is not discussed, much less put to the proof. Indeed, the argument about future plans and prices is stated in explicit and expansionist terms. "To give full supplies at all times, sufficient

1951-2		COMBINED TRADING RESULTS, BRITISH ELECTRICITY AUTHORITY AND AREA ELECTRICITY BOARDS	1952-3	
£ million	Pence per unit Sold		£ million	Pence per unit Sold
256.39	1.220	<i>Combined Revenues</i>	285.57	1.311
262.79	1.230	Sales of electricity	290.64	1.335
		<i>Combined Expenditures</i>		
127.46	0.607	Generation (works costs) and	136.00	0.625
38.85	0.185	purchase of electricity	43.27	0.199
		Depreciation of fixed assets...		
4.25	0.020	Central authority surplus	5.82	0.027
Dr 1.33	0.006	Area board's surplus or deficit...	1.46	0.007
2.92	0.014	Combined surplus	7.28	0.034
50,416		Units sold (million)	52,264	

plant must be provided to meet the peak demands for electricity; the more fully this plant is used outside the peak periods, the lower is the charge per unit required to cover the capital charges involved." This argument—meet the peak and build the load to it—is presented with all the usual appeals to the national interest and to the need for a "well-balanced" expansion of consumption.

It is no doubt churlish to mention once again the matter of price. By what criterion are the estimates of new generating plant requirements—reaching 1.9 million kilowatts in 1959—calculated? The report does not say. But it complains that government sanctions for new plant have pared down BEA's programme and Lord Citrine this week extracted full value from the prospect—as he saw it—of power cuts and load spreading in 1958-59. Are these prospective requirements unaffected by price—some kind of natural phenomenon that has no economic reference? The

cost of meeting them will run at £150 million a year, which is certainly a fact of economic consequence stretching well beyond the electricity industry. These estimates of future plant requirements would be more acceptable if BEA had shown something more than a grudging acceptance of the Ridley Committee's recommendation that tariffs should discriminate in charges between peak and off peak use; area boards are enjoined to use the tariff structure to encourage the maximum diversity of load but they are "also turning their attention" to tariffs covering non-peak loads. It is none too soon.

Deposits on the Eve

THE clearing banks' statement for September, made up on the very eve of the Bank rate reduction, carries a stage further the rather more reassuring story that began to emerge at the beginning of this half-year. Bank deposits are still rising, but the trend is much less sharply upwards than in the first half of this year. In the four weeks to September 16th, net deposits rose by £54 million (com-

LONDON CLEARING BANKS

	Sept. 16, 1953		Change on	
			Month	Year
Deposits	£ mn.		£ mn.	£ mn.
"Net" deposits*	6,319.6		+ 79.5	+193.6
	6,095.1		+ 53.8	+ 81.4
Liquid assets	£ mn.	%†		
Cash	2,366.4	37.4	+ 68.9	+ 39.1
Call money	515.0	8.2	+ 4.3	+ 12.2
Treasury bills	475.5	7.5	+ 19.5	+ 54.2
Other bills	1,322.0	20.9	+ 46.6	+ 91.1
	53.8	0.9	- 1.4	- 9.9
Investments plus ad- vances	3,799.2	60.1	- 17.0	+130.1
Investments	2,136.9	33.8	- 2.8	+215.8
Advances	1,662.3	26.3	- 14.1	- 85.7

* After deducting items in course of collection.
† Ratio of assets to published deposits.

pared with a rise of £59 million in the similar period last year), bringing their rise in the past three months up to £72 million (compared with £109 million). This latest modest improvement on last year's trend principally reflects the behaviour of bank advances, which for the first time show a larger decline than in 1952; they dropped in the four weeks by £14 million, whereas last year's corresponding fall was slightly less than £7 million. This, however, is a slightly misleading comparison, because the figures this year reflect the payment of the first call—£24 million on August 26th—on the Gas loan. Hence, if it is assumed that the whole of these moneys were applied in redemption of previous borrowings by the Gas Council from the banks, it appears that total advances to all other borrowers have started to rise again, whereas at this time last year they were still tending to contract. The central Government, as expected, was again a heavy borrower from the banking

system. Indeed, in this latest period, unlike the two preceding ones, its borrowings were actually slightly larger than in the similar period last year—at around £70 million, compared with rather more than £60 million. This difference is, however, probably more than accounted for by the "departmental" contribution to the month's call on the Gas loan. Apart from this, the Treasury's domestic needs for finance seem to have been slightly less this year than last, when account is taken of the trend of tax certificates, savings securities and the note circulation.

These continued borrowings have raised the banks' aggregate liquid assets by a further £69 million to £2,366 million, which contrasts with only £1,962 million at the seasonal low point last April. Hence, despite the decline in portfolios of commercial bills (these dropped by another £1.4 million during the month), the average liquidity ratio has risen over the five months from 32.4 per cent to 37.4 per cent (compared with 36.8 per cent in August). Despite the minor funding operation attempted by the Treasury in the early summer, the ratio had been carried almost back to the high point of 38 per cent shown on the eve of last autumn's funding operation. Before the 1951 funding the ratio was 39 per cent.

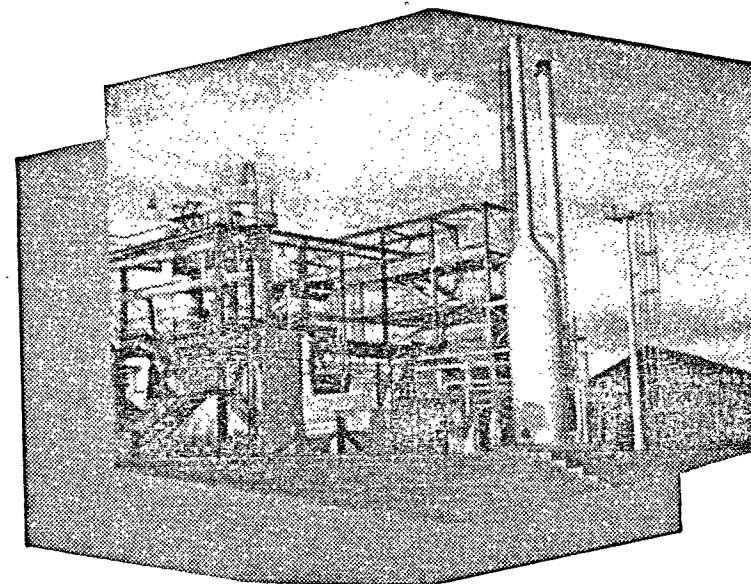
Cotton Futures Next Year?

IT now seems likely that the Liverpool Cotton Exchange will be reopened next summer, to fulfil its traditional role of providing private cover facilities for purchases of raw cotton. The Government committed itself to ending the present system—in which the public buying agency, the Raw Cotton Commission, provides cover both to spinners that buy their cotton from it and to those that import raw cotton on their own account—when it accepted the Hopkins Report last June. That report concluded that the use of public funds for cover facilities was intrinsically undesirable, and that methods of providing private cover should be urgently examined. The subsequent discussions between the Government and the cotton trade are apparently making good progress. So far, the Government does not seem too frightened of the fact that the reopening of the Liverpool market would mean that spinners would have to be allowed to buy freely in the cheapest market, and that the existing restrictions on imports of United States cotton would have to be removed. Prices of non-dollar growths are still competitive with, if not cheaper than, United States cotton, so that the initial dollar cost to Britain would not be large; the contingent risk, however, is that if a world dollar famine should again develop, outside growths might command substantial premiums, as they did two years ago, and Lancashire would then buy more heavily in the United States. The Liverpool authorities, for their part, are no doubt prepared to agree that, as in the grain markets, the right to take delivery of dollar imports for sterling against a maturing futures contract should not extend to foreign operators.

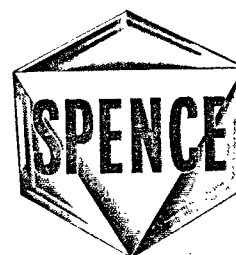
The logical, though not inevitable, corollary of reopening the Liverpool market would be to wind up the Raw Cotton Commission; it would be technically difficult to continue it as a purely merchanting body for the minority of spinner that might still wish to trade with it. The Governmen-

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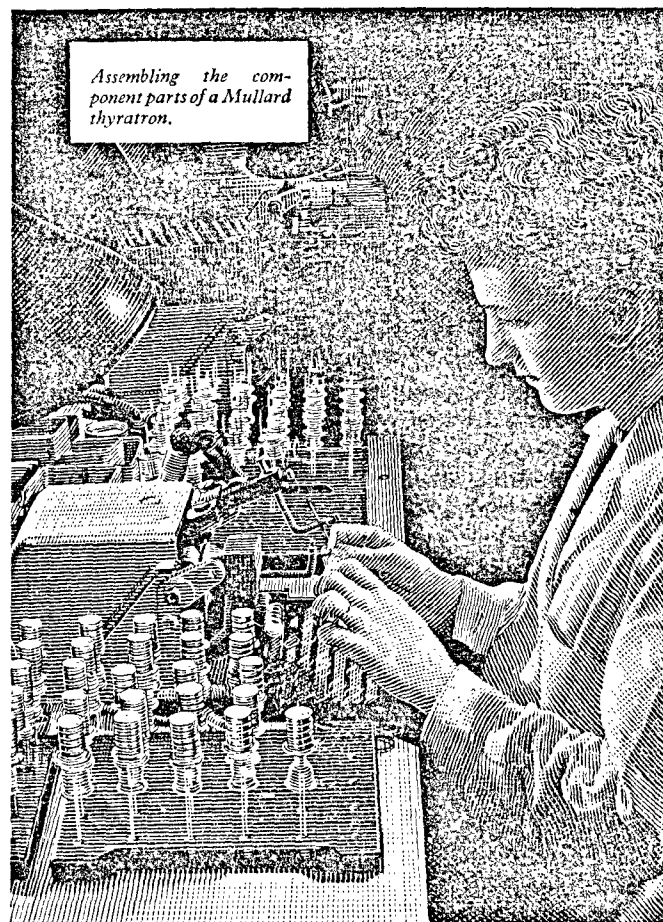
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will have to make a decision on the whole subject fairly soon. The Commission could not be disbanded without legislative sanction, and the Liverpool market would have to be functioning well before the 1953-54 importing season ends on August 31st of next year.

Ford's New Cars

FORD's new Anglia and Prefect cars shown this week are neither baby cars nor austerity cars. Each is powered by a 1,172 cc. engine, and they fall into the same 10-12 horse-power group as the Hillman Minx and the Austin A40. They are two variants of a basic single model, differing in finish and comfort and in price by £35. On the home market, the incidence of purchase tax will raise this difference to £50, for which buyers of the Prefect will obtain four doors instead of two on the Anglia, two windscreen wipers and rather more chrome. The accompanying table shows the order of battle for the smaller car market; in price as well as in power the two new Fords fall midway between the "baby" and the slightly larger models of the other major producers. Vauxhall Motors is the only big British manufacturer without a stake in this market.

In this departure towards more power and modern styling for its new small cars, Ford abandons—at least for the time being—its claim to produce the cheapest British car. The old Anglia cost £313 the new Anglia—only the name is the same—costs £360 and is now third on the list. Ford's emphasis has been laid on body styling and comfort; the

	Date of Introduction	Basic Price	Price After Tax	Cubic Capacity	Gear-box Speed	Length	Doors
Standard 8	Sept. 1953	£339	£481	803	4	11 10	4
Austin A30	Oct. 1951	355	504	800	4	11 4½	4
Ford Anglia	Oct. 1953	360	511	1,172	3	12 7½	2
Morris Minor 2-door	1949	373	529	800	4	12 4	2
Ford Prefect	Oct. 1953	395	561	1,172	3	12 7½	4
Morris Minor 4-door	1947*	405	576	800	4	12 4	4
Austin A40	1947	467	663	1,200	4	13 3½	4
Rootes Hillman	1948	470	667	1,265	4	13 1½	4

* Redesigned March, 1952. † Redesigned October, 1953.

new models have front-wheel suspension like their big brothers the Consul and the Zephyr, and unlike the other small cars in the table they also have, in the long Ford tradition, a 3-speed gear-box. The new 1,172 cc. engine should be pre-eminently cheap to make, and it has side valves; most of the small engines of other makers have overhead valves and also higher compression ratios than the 7:1 of the new Ford.

The difference in engine size alone makes a direct comparison between the new Standard and the new Anglia impossible, but the two cars represent two different assessments of what the "average" motorist wants. Both companies make similar claims for economy and speed, and if the Standard is shorter by 9½ inches, it is also £30 cheaper. In any case Ford still hold a card in reserve—a "baby" car that might sell for less than the Standard—if it wanted to play it. And the two companies have certainly set a hot pace, both in price and value, for some of the older models that up to now have largely had the market to themselves.

Japan Before Gatt

THE meeting of contracting parties of the General Agreement on Tariffs and Trade has continued this week in a commendably (and rather surprising) business-like atmosphere. There has been no further hard news about two of the main outstanding points before the meeting—namely the extension of existing tariff schedules for twelve or eighteen months and Britain's request for a tariff waiver—but an active discussion and a sharp clash of opinion have emerged over the Japanese application for associate membership of Gatt. The motion to accept Japan as a member was sponsored by the United States on the ground that the admission of Japan was essential in the West's common political and security interests. The principal American spokesman, Mr Waugh, US Assistant Secretary for Economic Affairs, argued with some conviction that if the opposition to Japan was based on memories of past transgressions in Japan's code of international commercial conduct, there was surely much to be said for including Japan in the membership of Gatt and thus imposing the duties as well as the privileges of membership on it. Britain's opposition to Japan's application was pleaded by the President of the Board of Trade in a more than usually unconvincing speech, the curious logic of which seemed to be that Japan's admission to membership would cause other contracting parties to raise their tariffs in self-defence against Japanese goods; this, declared Mr Thorneycroft, would cause a general increase in tariffs, a movement that would prove the admission of Japan to be a development wholly contrary to the basic philosophy of the Agreement. Britain has been supported in its opposition to Japan by France, Australia and New Zealand; but America's sponsorship of Japan's application has been strongly backed by India, Pakistan and a sufficient number of other countries to make it virtually certain that Japan's associate membership of Gatt will have been assured by the end of the meeting.

Among the minor but potentially important items that appear to have been settled at Geneva was the complaint against Belgium's recent decision to raise a special tax

PLANT REPLACEMENT COSTS

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.

of 7½ per cent *ad valorem* on all products imported by the Belgian central and local government authorities, to balance the family allowances to workers that are paid direct from contributions by Belgian employers. If this increase in tariffs had been admitted it might have opened the door to a flood of comparable attempts to balance differences in social security charges by appropriate changes in tariffs. Belgium appears to have realised the dangerous potential of its initiative and has promised to introduce appropriate amending legislation.

Shops and the Budget

SIX months before the budget, the retailers' associations are already discussing its possible effect on trade. They are obsessed by two fears—a general buyers' strike in the months before the budget in anticipation of further reductions in purchase tax; and the losses that they will incur on tax-paid stocks if tax reductions are made. The solution proposed by the Retail Distributors' Association has a breathtaking simplicity—namely that changes in the purchase tax should be moved forward from budget day to the end of January. It is a date late enough not to affect the Christmas trade; it marks the end of the retailing year when stocks are at their lowest; at that time so little business is done that a buyers' standstill before the tax changes were announced could hardly make it worse. The proposal is rapidly gaining support in the retail trade. Whether it will attract the Chancellor depends, in part, on whether he feels moved to make a gesture of goodwill to the shopkeepers, who are thought to have lost about £13 million on their tax paid stocks last year when the purchase tax rates were cut by one-quarter. With these losses still painfully fresh in their memory, retailers are determined that at the next budget their stocks will be cut to the minimum. Once Christmas stock has been delivered, trade in taxed goods is likely to be carried out on a strictly hand-to-mouth basis until after the budget. This will not be easy; even in the peculiar conditions that prevail before the budget the retailer will still have to guess where the buyer's strike will start and when, and if he guesses wrongly, he will once again find that his stocks have mounted up.

This is no new problem, but during all the years that retailers have discussed it with the Customs and Excise authorities, it has apparently been impossible to devise a satisfactory scheme for rebates on the taxed goods in stock at the time of the budget. The committee set up last year under the chairmanship of Sir Thomas Hutton came to the same unsatisfactory conclusion. The retailers themselves have meanwhile invented a number of stratagems, based on the idea of delivering goods to the retailer on a "sale-or-return" basis. But local customs officials have been able to find flaws in many of these agreements, and they are hardly satisfactory from several points of view. The Radio Wholesalers' Federation, in a memorandum to the Chancellor, has pointed out that shop-soiled goods may be returned to the manufacturer that he cannot sell to another trader as "new"; and the credit of many shops is not good enough for this form of business agreement.

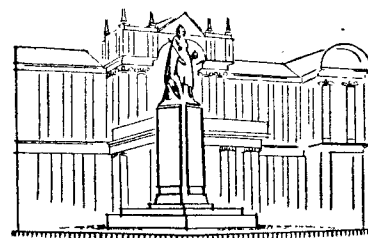
These difficulties become acute where goods carry a con-

siderable amount of tax, as do most durable household articles. This year, if retailers follow the advice of their associations, they will cease ordering from manufacturers for three months before the budget, and perhaps even longer. When a major dislocation of trade threatens to take place every time a budget is pending, the case for re-examining even the soundest technical arguments about the administrative difficulties of a tax rebate scheme is strong.

Unrationed Sugar

THE end of sugar rationing last weekend is unlikely to lead to much increase in demand from the housewife, but it probably will lead to larger purchases by industry, particularly by the confectionery and soft drinks trades. In the last few months before derationing a two-ounce increase in the ration, and more liberal bonuses, had raised the weekly rate of domestic consumption to 16 ounces per head, which was already slightly more than the estimated rate before the war. Supplies to industrial consumers were also increased in this period, but they were still about 6 per cent below the prewar level. For what they are worth, estimates by the Ministry of Food suggest that total domestic consumption, which was running at the rate of about 2.5 million tons a year between July and September, will rise to about 2.8 million tons in the first year of derationing. This estimate includes 200,000 to 300,000 tons for the initial buying surge and re-stocking, and also attempts to allow for the effect of ending the subsidy of ½d. per lb on sugar sold to the public and certain rebates to the trade. The Ministry is hoping that consumption will eventually settle down at about 2,550,000 tons a year, some 450,000 tons more than in 1952.

Derationing was made possible by the special purchase of 1,000,000 tons of Cuban sugar, at a total cost of \$65 million. This will cover most of the increase in consumption that is expected during the next two years. The exportable surplus from the Commonwealth is expected to reach the "target" figure of 2,375,000 tons by 1955-56, and to reach about 2,450,000 tons in the following year. These figures compare with a prospective Commonwealth surplus of about 2,050,000 tons this year and about 2,200,000 in 1954. If Commonwealth production does obediently rise according to this schedule, it could therefore nearly cover the estimated real increase in Britain's requirements. But not all of the increase in Commonwealth production would necessarily come to this country. Canada, which now takes about 400,000 tons of Commonwealth sugar, may take another 75,000 tons next year if it does not renew its contracts with certain free market suppliers. On the other hand, other Commonwealth countries may reduce their requirements of Commonwealth sugar by about 100,000 tons from next year onwards, and production of beet sugar in Britain could perhaps be increased by some 50,000 tons in the next few years. Britain may also be able to obtain supplies in the free market from non-dollar sources. This is the statistical background to the hope that the additional dollar cost of derationing may be marginal. But sugar and statistics do not always mix.



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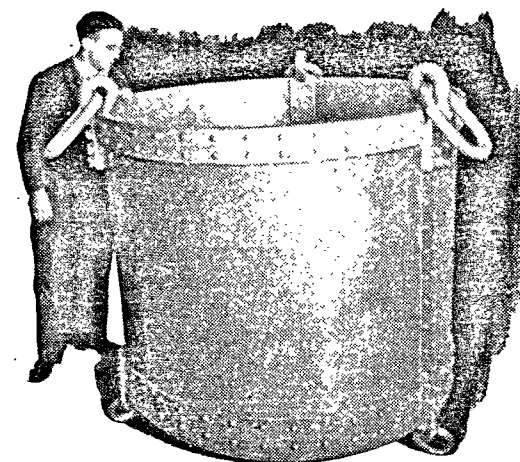
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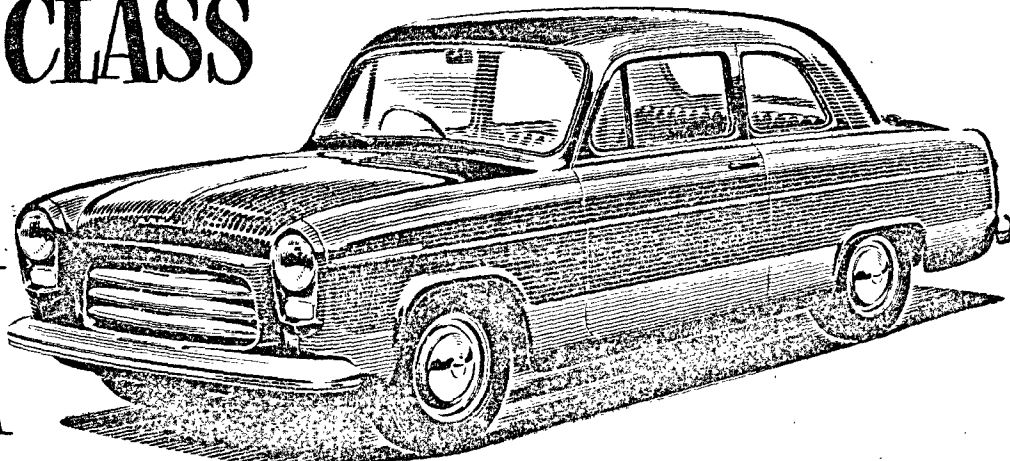
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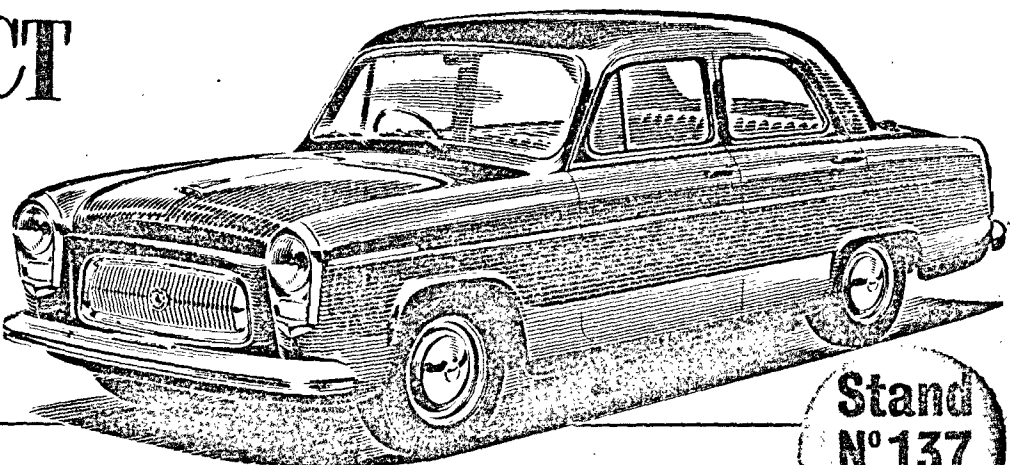
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Film Agreement as Before

THE Anglo-American film agreement, which was due to expire last Wednesday, has been renewed in the same form for another year. It provides for the unconditional transfer to America of \$17 million from the American companies' earnings in this country—plus such further amounts as they may be able to wriggle through the twenty-six different legal loopholes that they have discovered in the original agreement. In the year to September 30th last they transferred about \$3 million through these loopholes, but their total transfers (at some \$20 million) were still \$5½ million less than in 1951-52. This was because the biggest of the loopholes (which cost Britain \$5.9 million

in 1951) was plugged last year when the Americans agreed not to claim the share of the Eady levy that they had earned by making pictures in this country.

As the American companies' total earnings in Britain are still running at an annual rate of around \$40 million, their frozen dollar balances must be accumulating at a rate of about \$20 million a year, although the Americans have managed to find useful employment for these funds. With their domestic profits hard hit by competition from television, their eagerness for easier repatriation of earnings is growing; but in the present state of uncertainty in the cinema industry—which in Britain is heightened by uncertainty about the future of the Eady plan itself—any negotiations for an entirely new basis of agreement would have been conducted in a hopeless fog.

Company Notes

IMPERIAL CHEMICAL INDUSTRIES AND MONSANTO CHEMICALS.

The news that the directors of Imperial Chemical Industries have recommended an interim dividend of 6 per cent on the £1 ordinary shares for the calendar year 1953, against an interim of 5 per cent a year ago, helped to cause a general strengthening of ordinary share values on the stock markets at the end of last week. Some pessimists were inclined to relate the new dividend to the announcement made by the directors a year ago, when raising the interim from 3 to 5 per cent, that it was their intention that "for 1952 and subsequent years" the interim should represent a greater proportion of the total annual distribution than before; in accordance with that decision, the final dividend for 1952 was later reduced from 10 to 8 per cent, keeping the total distribution for the year unchanged at 13 per cent. But there was no similar cautionary statement to accompany this year's announcement of an increase in the interim, and the market immediately marked up the price of ICI's £1 ordinary shares by 2s. 7½d. to 48s. 9d. By the close of business on Wednesday of this week the shares stood at 48s. 6d. At this price they would offer the somewhat lean yield of around 5½ per cent if the total dividend for 1953 should merely be maintained at 13 per cent; but they would offer the reasonably attractive yield of 6½ per cent if the total dividend should be increased to 15 per cent, as some investors expect.

There seem to be some grounds for such an expectation. Although ICI's net profits fell from £23½ million in 1951 to £15½ million in 1952, last year's dividend was still comfortably covered. Moreover, the fall in profits in 1952 was believed to be the resultant of brisk trading in the first four or five months of the year followed by a downturn in the last seven or eight months—and the ground lost in that downturn is likely to have been regained in the first half of 1953. Some confirmation of this can be gleaned from the preliminary results just announced by the

directors of Monsanto Chemicals, who have maintained their interim ordinary dividend at 6½ per cent. This company's net sales fell from £5,175,802 in the first half of 1952 to £4,778,487 in the second half, and then rose again to £5,208,182 in the first six months of 1953; its net income after tax fell even more sharply, from £226,625 to £67,093 between the first and second half of 1952, but then came back to £223,665 in the first half of 1953. The directors' report almost gleefully that Montanto has reduced its production costs, increased its sales tonnage, substantially decreased its inventories, and increased the volume of shipments to export markets during the year to date; moreover, despite increasing competition, "prices of certain major lines are firmer and present indications are that the good demand for most of our products will continue during the remainder of 1953." With the recent relaxation of Australian and other import restrictions, it will not be surprising if many other companies (particularly in consumer goods trades) that were hard hit in the second half of 1952 are able to report a substantial recovery during 1953; the economic weather in America permitting, their reports could bring some sunshine to the markets during the autumn and winter months.

POWELL DUFFRYN. Since the nationalisation of its coal properties in Britain the Powell Duffryn group, whose total assets now exceed £50 million, has flung its already wide net across a varied assortment of activities in the most diverse corners of the world; and it is not altogether surprising that the chairman, Sir Herbert Merrett, is now obliged to report that "we have not been entirely successful in everything we have attempted." The fall in group profits from £1,789,939 to £1,523,372 in the year to March 31 last was due mainly to two disappointments. First, the production of carbon brushes has proved an expensive failure, and was responsible for £341,000 out of a total of £460,543 that was written

off investments last year; this branch of the group's activities is to be reduced and ultimately discontinued, although manufacture in the chemical carbon field (especially of heat exchangers) will continue. Secondly delays in delivery of plant and last February's flooding, have caused setbacks at the new refinery of Vacuum Oil Company, the group's largest trade investment. It had been hoped that all units of the refinery (the total cost of which "will exceed the original estimate") would be in full production by the beginning of 1953, but in the event only the distillation unit could be started up. Consequently no income has yet been received from Vacuum Oil; nor can any be expected in 1953 even though full produc-

	Years to March 31	1952	1953
<i>Consolidated earnings:—</i>			
Trading profit.....	£	1,789,939	1,523,372
Total income.....		2,465,671	1,946,572
Depreciation.....		347,467	361,132
Taxation.....		1,253,045	920,027
Net profit.....		731,658	556,483
Ord. dividends.....		405,739	417,815
Ord. dividends (per cent).....		8	8
Retained by subs....		210,636	122,771
Added to carry forward.....		25,536	Dr. 74,547
<i>Cons. balance sheet:—</i>			
Fixed assets, less depreciation.....		4,824,422	5,714,522
Assets vested in NCB *.....		12,602,593	12,608,478
Trade investments.....		8,507,730	8,845,971
Net current assets.....		13,881,609	13,844,630
Debtors and stocks.....		14,718,846	15,569,659
Cash.....		3,278,511	3,304,822
Assets realisation a/c.....		12,913,784	12,945,784
Bank overdrafts.....		201,991	590,630
Reserves.....		11,658,208	12,526,478
Ordinary capital.....		9,660,471	9,660,471
* After deducting reserves, £6,946,554.			

tion at the refinery should be achieved before the year is out.

Against this, negotiations for compensation for the group's nationalised coal assets seem to be proceeding reasonably smoothly. So far, compensation received totals £12,945,784 in respect of assets written down from £19½ million to just over £12½ million; but this written down value is arrived at after the deduction of substantial reserves, and compensation for some assets ancillary to the collieries is still to come in. The recent transfer of the group's interest in Wankie Colliery to the Anglo American Corporation of South Africa also seems likely to prove mutually advantageous. The fee that the group received for its former managerial

function was more or less absorbed by managerial expenses; but the yield from the Rhodesian Anglo American shares received as consideration for the transfer "far exceeds" the yield on Powell Duffryn's previous investment in Wankie, and Anglo American should be able to recruit sufficient technical staff locally to allow a substantial increase in production. Among Powell Duffryn's other investments, the business of Cory Brothers (with its shipping, oil bunkering, timber and other activities in diverse—and sometimes politically vulnerable—parts of the world) continues to thrive; the wagon shop of Cambrian Wagon and Engineering has secured a contract that ensures it will run in full employment for the next five years; the coal distributing business of Stephenson Clarke has earned a satisfactory revenue, despite restrictions in France; and the group's general engineering, manufacturing and technical advisory services continue to be profitably employed. A litter as large as this may still contain some pups; but the £1 ordinary shares which yield £6 3s. per cent at the current price of 26s. x.d. on the maintained ordinary dividend of 8 per cent, should be regarded as a risk investment that may yet reward the brave.

★

WATNEY COMBE REID. In the year to June 30th last, Watney Combe Reid reported only a fractional increase in trading profits (from £1,733,469 to £1,785,502) and it maintained its dividend at 17 per cent. Its export trade and beer sales outside London increased, but in London itself sales are still flagging. Yet Mr S. H. Combe is not a disappointed man; the results merely confirm the warning he gave a year ago—and it will be remembered that the weather before June 30 was not especially conducive to a seasonal thirst. The company has been able to go some way towards offsetting the decline in consumption of draught

beer since the war by tapping other sources of revenue. It achieved a turnover of more than £3,500,000 in wines and spirits last year, representing an increase of 80 per cent in gallonage within the last seven years. It is also planning to expand sales of Coca-Cola after the end of sugar rationing, but the chairman puts a damper on "fantastic estimates" about this product: in his opinion it would be extremely rash to assume either that Britons will drink as much Coca-Cola as Americans do, or that the company's profits are likely to benefit to any great extent from this drink in the near future. During the year the group have obtained several new sites for licensed houses. It

	Years to June 30	1952	1953
Consolidated earnings:—			
Trading profit.....		1,733,469	1,785,502
Total income.....		2,306,665	2,381,304
Depreciation.....		250,478	292,025
Taxation.....		982,132	961,470
Net profit.....		613,973	695,177
Retained by subsidiaries		42,222	47,878
Deferred Ord. dividends		289,876	303,732
do. dividends (per cent)		17	17
Parent company reserves		200,000	220,000
Added to parent company carry forward..		Dr. 4,761	4,731
Cons. balance sheet:—			
Fixed assets, less depreciation		19,990,541	21,543,655
Net current assets.....		3,927,626	3,702,704
Stocks.....		2,871,813	2,936,431
Cash.....		1,153,775	990,592
Reserves.....		6,042,222	6,962,617
Deferred ord. capital....		3,247,910	3,423,810

NINE MONTHS' CAPITAL ISSUES (Excluding Conversions)

Nine months to Sept. 30	Old Basis*		New Basis†		Nine months to Sept. 30	Old Basis*		New Basis†	
	1952	1953	1952	1953		1952	1953	1952	1953
Total Borrowing (£ million)									
Br. Govt.†	130.2	424.0	155.7	437.1	Br. Govt.†	130.155	423.969	155.705	437.111
Br. Corp. (a)	4.8	41.3	4.8	41.3	Br. Corp. (a)	4.825	41.293	4.825	41.293
Br. Co.'s	92.4	71.7	116.6	94.7	Dom. & Col.				
Br. Total.....	227.4	537.0	277.1	573.1	Govt.....	26,356	20,686	31,323	23,896
Empire.....	44.7	31.1	54.2	38.9	For. Govt.				
Foreign.....	Nil	Nil	Nil	Nil	Bank & Ins.				
Total.....	272.1	568.1	331.3	612.0	Oil.....				
Indices.....	94.0	195.4	147.0	270.7	Eng'ng, etc.				
Total Company Issues (£ million)					Electricals...	22,390	8,667	22,390	10,553
Deb.....	21.1	38.0	27.3	42.4	Textiles...	50	354	844	636
Pref.....	3.7	7.3	8.6	10.7	Motors, etc.	2,641	7,966	2,778	11,748
Ord.....	86.0	36.8	103.6	56.5	Breweries...	10,373	3,613	13,037	4,354
Total.....	110.8	82.1	139.5	109.6	Shipping...	1,031	1,770	1,031	2,488
					Mines.....	15,809	2,054	15,809	5,284
					Others.....	55,041	27,969	78,475	40,010
					Total.....	272,129	568,125	331,328	611,957

* Only includes direct offers to the public and to shareholders; (index 1928=100). † Includes direct offers to the public and to shareholders, "permissions to deal" and stock exchange introductions; (index 1935=100). ‡ Includes net receipt or repayment of national savings certificates and defence bonds. (a) Includes loans to town and county local authorities and to public boards. § Includes British and foreign companies.

LONDON STOCK EXCHANGE

Next Account begins October 14th.
Next Contango Day: October 14th.
Next Settlement Day: October 6.

MARKETS have continued firm in the past week. Industrials have risen steadily to bring the *Financial Times* index to a new peak for the year, at 126.9 by Wednesday's close compared with 125.2 a week before. In the gilt-edged market, undated stocks were at first inclined to sag, although medium dated issues were in demand; but price movements in the week to Wednesday's close were only fractional—with 3½ per cent War Loan down from 86 to 85½, but 3 per cent Savings Bonds 1955-65 up from 97 to 97½. After market hours on Wednesday came the Government's offer to holders of the £577 million of maturing 1½ per cent Serial Funding Stock 1953 to convert into 1½ per cent Serial Funding Stock 1954 or into a new 2½ per cent Serial Funding Stock 1957 (at par, but with cash bonuses of 7s. per cent and 15s. per cent. respectively); and also the announcement of an unlimited issue of 3 per cent Exchequer Stock 1962-63 at the apparently attractive price of 99½. At Thursday's opening prices of competing stocks were necessarily adjusted to come into line with the new offer, but elsewhere in the list gilt-edged showed little change.

The widespread gains made by industrials in the week were largely occasioned by favourable company statements. ICI shares jumped 2s. 6d. to 48s. 6d. when the news of the increased interim dividend came through; and most blue chips moved up in sympathy. The news of a one-for-one scrip issue by Elder Dempster brought its shares up by 7s. 9d. to 55s. 6d. and gave a general fillip to shipping shares. Engineering and textile shares have also been in demand.

Elsewhere in the market oils have maintained their recent firmness; but Kaffirs, after some improvement led by uranium issues, have tended to weaken. Base metals have continued firm, tea shares have been in fair demand, but rubbers have remained decidedly weak. Dealings in foreign bonds have been active, particularly in German issues; potash bonds jumped 10 points in two days following Swiss buying.

FINANCIAL TIMES INDICES

1953	Security Indices		Yields	
	Ord.*	Fixed Int.†	2½% Cons.	Ord.
Sept. 23...	125.2	111.26	3.89	5.64
" 24...	125.3	111.19	3.90	5.64
" 25...	125.6	111.16	3.90	5.62
" 28...	125.8	111.11	3.91	5.61
" 29...	126.4	111.21	3.91	5.59
" 30...	126.9	111.24	3.91	5.57
1953, High	126.9	111.43	3.91	5.57
" Low..	113.9	105.68	3.25	7.718
(May 20)	(Jan. 5)		28	9.745
1952, High	121.5	106.66	29	9.220
" Low..	103.1	100.67	30	9.454
(June 24)	(July 3)			

* July 1, 1925=100. † 1928=100.

LONDON ACTIVE SECURITIES

Prices, 1953 Jan. 1 to Sept. 30		BRITISH FUNDS AND GUARANTEED STOCKS		Price, Sept. 23, 1953	Price, Sept. 30, 1953	Net Yield, Sept. 30, 1953 %	Gross Yield, Sept. 30, 1953	Prices, 1953 Jan. 1 to Sept. 30		Last Two Dividends (a) (b) (c)			ORDINARY STOCKS		Price, Sept. 23, 1953	Price, Sept. 30, 1953	Yield, Sept. 30, 1953
High	Low					£ s. d.	£ s. d.	High	Low								
100 1/4	99 1/4	War Bonds 2 1/2% '52-54...	100 1/4	100 1/4	100 1/4	0 15 6	2 2 9 1/2	42/9	32/3	10 c	12 1/2	B.S.A. £1.....	37/6	42/6	5 17 8		
100 1/4	98 1/4	Exchequer 2 1/2% 1955....	100 1/4	100 1/4	100 1/4	1 0 10	2 3 0	14/3	10/10 1/2	15 c	5 a	Cammell Laird 5/-...	12/9*	13/-	7 3 1 1/2		
101 1/4	99 1/4	Exchequer 3% 1960....	101 1/4	101 1/4	101 1/4	1 7 1	2 14 3	55/4 1/2	45/3	5 a	10 b	Guest Keen N'fold £1.	52/-	52/9	5 13 8		
99 18/9	99 1/4	Serial Funding 1 1/2% 1953..	99 18/9	99 18/9	99 18/9	1 2 10	2 3 10	51/1 1/2	44/6	12 1/2 b	2 1/2 a	Vickers £1.....	49/9	50/6*	5 18 10		
99 1/4	98 1/4	Serial Funding 1 1/2% 1954..	99 1/4	99 1/4	99 1/4	1 1 0	2 2 3										
101 1/4	100 1/4	Serial Funding 3% 1955....	101 1/4	101 1/4	101 1/4	0 14 7	2 6 2	31/3	21/4 1/2	7 b	4 a	Bradford Dyers £1...	30/6	31/-	7 1 11		
100 1/4	98 1/4	War Bonds 2 1/2% '54-56...	100 1/4	100 1/4	100 1/4	1 3 1	2 6 6 1/2	28/9	21/4 1/2	11 c	12 b	Brit. Celanese 10/-...	26/6	27/-	5 18 6		
100 1/4	99 1/4	Funding 2 1/2% '52-57....	100 1/4	100 1/4	100 1/4	1 3 8	2 10 4	48/1 1/2	41/4 1/2	5 a	7 1/2 b	Coats (J. & P.) £1....	45/-	45/-	5 11 1		
101 1/4	99 1/4	Nat. Def. 3% '54-58....	101 1/4	101 1/4	101 1/4	1 4 7	2 12 6 1/2	46/10 1/2	37/3	5 a	6 1/2 b	Courtalds £1.....	45/3	45/-	5 0 0		
102 1/4	99 1/4	War Loan 3% '55-59....	101 1/4	101 1/4	101 1/4	1 7 0	2 13 7 1/2	50/-	38/6	10 b	5 a	Lancs. Cotton £1....	48/9	48/3	6 4 4		
97 1/4	91 1/4	Savings Bonds 3% '55-65..	96 1/4	97 1/4	97 1/4	1 18 9	3 6 7 1/2	66/3	49/-	4 a	16 b	Patons & Baldwins £1	65/9	66/-	6 1 3		
98 1/4	93 1/4	Funding 2 1/2% '56-61....	97 1/4	98 1/4	98 1/4	1 12 6	2 15 1 1/2	82/3	73/-	7 1/2 a	12 1/2 b	Assoc. Elect. £1.....	78/9*	78/9	5 1 7		
92 1/4	86 1/4	Funding 3% '59-69....	91 1/4	92 1/4	92 1/4	2 5 2	3 13 5 1/2	38/4 1/2	33/3	2 a	8 b	Brit. Insulated £1....	38/-	38/-	5 5 3		
94 1/4	87 1/4	Funding 3% '66-68....	93 1/4	94 1/4	94 1/4	2 2 10	3 11 3 1/2	60/6	51/-	10 b	5 a	English Elect. £1....	53/9	53/9	5 11 7		
102 1/4	98 1/4	Funding 4% '60-90....	101 1/4	100 1/4	100 1/4	2 2 10	3 18 3 1/2	46/-	36/6	3 1/2 a	7 1/2 b	General Elect. £1....	39/4 1/2	39/4 1/2	5 14 4		
91 1/4	85 1/4	Savings Bonds 3% '60-70..	90 1/4	91 1/4	91 1/4	2 5 8	3 14 4 1/2										
91	84 1/4	Savings Bonds 2 1/2% '64-67	90 1/4	89 1/4	89 1/4	2 4 11	3 8 8 1/2	19/6	15/6	5 a	6 1/2 b	Bristol Aero 10/-...	18/-	18/3	5 9 7 1/2		
103 1/4	100 1/4	Victory 4% '20-76....	101 1/4	101 1/4	101 1/4	2 1 2	3 17 1 1/2	7/7 1/2	5/8 1/2	17 1/2 a	4 a	British Motor 5/-...	7/3	7/6	6 18 8 1/2		
88 1/4	82 1/4	Savings Bonds 3% '65-75..	88 1/4	88 1/4	88 1/4	2 6 4	3 15 8 1/2	35/10 1/2	23/6	7 1/2 c	7 1/2 c	De Havilland £1....	27/3	28/3	5 6 2		
95 1/4	86 1/4	Consols 4% aft. Feb. '57..	94 1/4	93 1/4	93 1/4	2 7 1	4 5 10 1/2	36/-	25/1 1/2	15 c	15 c	Ford Motor £1....	32/3	35/3	4 5 1 1/2		
86 1/4	77 1/4	Conv. 3 1/2% aft. April '61..	85 1/4	84 1/4	84 1/4	2 5 4	4 2 6 1/2	44/3	36/6	5 1/2 b	6 a	Hawker Siddeley £1....	43/6	44/-	5 4 7		
64 1/4	57 1/4	Treas. 2 1/2% aft. April '75..	63 1/4	63 1/4	63 1/4	2 3 5	3 19 0 1/2	96/3	78/6	25 c	25 c	Leyland Motors £1....	86/3	86/3	5 15 11		
75	67 1/4	Treas. 3% aft. April '66..	74 1/4	74 1/4	74 1/4	2 4 6	4 0 11 1/2	29/-	24/-	25 c	2 a	Raleigh Ind. £1....	28/1 1/2	28/1 1/2	5 18 6 1/2		
94 1/4	87 1/4	Treas. 3 1/2% '77-80....	93 1/4	93 1/4	93 1/4	2 5 4	3 18 11 1/2	66/6	58/6	5 a	10 b	Rolls Royce £1....	64/4 1/2	65/7 1/2	4 11 5		
94	90 1/4	Treas. 3 1/2% '79-81....	93 1/4	93 1/4	93 1/4	2 5 2	3 18 5 1/2	7/3	5/3 1/2	12 c	12 c	Standard Motor 5/-...	7/-	7/-	8 11 5		
84 1/4	76 1/4	Redemption 3% '86-96....	84 1/4	84 1/4	84 1/4	2 4 5	3 14 10 1/2	22/1 1/2	19/-	20 c	5 a	Boots Pure Drug 5/-...	21/-	22/-	4 10 11		
87 1/4	77 1/4	War L'n 3 1/2% aft. Dec. '52	86 1/4	85 1/4	85 1/4	2 5 3	4 2 10 1/2	37/9	16/6 1/2	22 1/2 b	12 1/2 a	Debenhams 4/-...	36/6	36/9	3 17 1		
64 1/4	58 1/4	Consols 2 1/2%.....	64 1/4	64 1/4	64 1/4	2 3 0	3 18 1 1/2	100/9	85/7 1/2	5 a	17 1/2 b	Lyons (J.) "A" £1....	99/4 1/2	100/-	4 10 0		
89 1/4	83 1/4	Br. Elec. 3% '68-73....	88 1/4	89 1/4	89 1/4	2 7 0	3 15 11 1/2	63/9	46/3	15 a	35 b	Marks & Spen. "A" 5/-	63/-	63/6	3 18 9		
88 1/4	82 1/4	Br. Elec. 3% '74-77....	87 1/4	88 1/4	88 1/4	2 6 4	3 15 8 1/2	59/4 1/2	44/3	55 c	20 a	Woolworth 5/-...	58/9	59/3	4 12 10		
102 1/4	99 1/4	Br. Elec. 4 1/2% '74-79....	101 1/4	101 1/4	101 1/4	2 4 6	4 2 4 1/2										
94 1/4	88 1/4	Br. Elec. 3 1/2% '76-79....	94 1/4	94 1/4	94 1/4	2 4 10	3 18 5 1/2	7 1/2	5 1/2	5 a	30 b	Anglo-Iranian £1....	7 1/2	7 1/2	4 12 7		
85	76 1/4	Br. Trans. 3% '78-88....	84 1/4	84 1/4	84 1/4	2 6 9	3 17 6 1/2	56/7 1/2	40/11 1/2	2 1/2 a	12 1/2 b	Burmah Oil £1....	53/9	55/-	5 9 1		
89 1/4	83 1/4	Br. Trans. 3% '68-73....	88 1/4	89 1/4	89 1/4	2 7 0	3 15 11 1/2	33 1/2	29 1/2	4 a	12 b	Royal Dutch 100 fl.	33 1/2	33 1/2	4 15 5 1/2		
100 1/4	95 1/4	Br. Trans. 4% '72-77....	99 1/4	100 1/4	100 1/4	2 4 7	4 1 5 1/2	90/3 1/2	75/7 1/2	5 1/2 a	10 1/2 b	Shell Reg. £1....	88/1 1/2	90/-	6 1 2		
85 1/4	76 1/4	Br. Gas 3% '90-95....	85 1/4	85 1/4	85 1/4	2 4 11	3 15 2 1/2	30/4 1/2	23/-	11 1/2 b	5 1/2 a	Trinidad L'holds 5/-...	28/9	30/3	5 0 2		
96 1/4	91 1/4	Br. Gas 3 1/2% '69-71....	95 1/4	95 1/4	95 1/4	2 4 3	3 16 9 1/2	44/1 1/2	34/6	13 1/2 b	2 1/2 a	Cunard £1.....	38/6	40/-	7 10 0		
99 1/4	98 1/4	Br. Gas 4% '69-72....	99 1/4	99 1/4	99 1/4	2 4 8	4 0 10 1/2	66/6	52/9	14 b	6 a	P. & O. Def. £1....	62/-	66/-	6 1 3		
								30/9	24/-	10 c	10 c	Royal Mail £1....	26/-	27/6	7 1 5 1/2		
								62/6	51/7 1/2	22 1/2 b	5 a	Assoc. Port. Cem. £1..	61/3	61/10 1/2	4 17 0 1/2		

Statistics

The following list shows the most recent date on which each statistical page appeared.

BRITISH			OVERSEAS		
Prices and Wages.....	This week		Western Europe :	This week	
Production and Consumption	Sept. 12th		Production and Trade.....	Sept. 12th	
Manpower.....	Sept. 19th		British Commonwealth	Sept. 12th	
External Trade.....	Sept. 26th		Western Europe :		
Financial Statistics	This week		Prices and Money Supply	Sept. 19th	
Industrial Profits	Aug. 1st		United States	Sept. 26th	

Prices and Wages

	Unit	1950	1951	1952	1952			1953			
		mid-June			Sept. 17	Sept. 24	Oct. 1	Sept. 8	Sept. 15	Sept. 22	Sept. 29
WORLD PRICES											
Commodity Price Indicator:											
All items.....	1952=100	90	126	99	94	94	94	92	90	91	91
Food.....	"	90	114	100	93	93	93	100	98	98	99
Fibres.....	"	101	167	99	85	86	86	87	87	87	86
Metals.....	"	75	99	100	99	98	97	76	74	76	77
Other items.....	"	97	131	96	92	92	94	100	100	99	101
Monthly averages											
		1950	1951	1952	1952			1953			
					June	July	Aug.	May	June	July	Aug.
BRITISH WHOLESALE PRICES											
Old series:											
All articles.....	1938=100	258.7	315.0	323.3	322.9	322.5	320.3	326.1	325.4	324.7	322.1
Food and tobacco.....	"	227.3	253.9	292.0	290.5	296.6	295.5	324.1	322.8	321.8	316.6
Materials used in:											
Non-food manufacturing.....	June 30, 1949=100	138.6	193.3	162.1	160.0	159.3	157.2	146.9	145.4	143.7	142.8
Mechanical engineering.....	"	113.2	134.3	149.9	151.6	152.8	151.9	143.4	143.1	144.5	143.2
Electrical machinery.....	"	122.0	151.9	165.4	167.6	170.7	169.3	151.2	150.8	152.8	149.7
Building and civil engineering.....	"	106.1	125.6	133.6	133.4	134.0	133.4	130.2	130.2	130.5	130.4
House building.....	"	105.2	123.0	130.6	130.5	130.7	130.4	128.8	128.5	128.5	128.6
Commodities:											
Cotton, raw.....	June 30, 1949=100	156.8	223.2	171.9	165.9	164.4	163.5	139.4	140.0	140.9	140.6
Wool, raw.....	"	195.8	252.3	147.9	146.8	158.5	158.5	182.4	174.9	171.1	171.1
Rubber, No. 1 RSS, one month future.....	"	324.6	499.1	282.8	263.2	263.5	254.3	210.8	202.7	192.5	189.1
Softwood, imported.....	"	96.3	143.5	158.0	151.8	151.4	151.4	146.6	143.7	140.9	140.0
Copper, H.C. electrolytic, delivered.....	"	152.2	187.5	220.7	219.3	243.6	242.6	215.2	214.5	214.5	197.9
UK RETAIL PRICES											
Interim index:											
All items.....	June 17, 1947=100	114	125	136	138	138	137	140	141	141	140
All items.....	Jan. 15, 1952=100	...	...	102.6	103.9	103.8	103.2	106.0	106.6	106.6	105.9
Food.....	"	...	...	105.4	108.7	108.5	106.8	112.7	113.8	113.7	111.7
All items.....	1938=100	185	202	221	223	223	222	228	229	229	228
Food.....	"	172	191	221	228	227	224	236	238	238	234
Rent and rates.....	"	114	119	122	123	123	123	130	130	130	130
Clothing.....	"	216	249	259	259	257	253	253	253	253	253
Fuel and light.....	"	161	177	197	195	195	196	203	205	205	205
Household durable goods.....	"	245	283	294	294	292	292	283	282	284	284
Drink.....	"	314	318	386	386	386	386	387	387	387	387
Tobacco.....	"	...	...	...	...	...	...	...	...	...	...
Purchasing power of £ (based on all consumer spending).....											
	1938=100	52	48	45	44	44	45	44	43	43	44
UK TERMS OF TRADE											
Import prices:											
All items.....	1952=100	76	102	100	101	100	97	88	87	87	87
Food, drink and tobacco.....	"	83	96	100	102	101	100	98	97	97	98
Raw materials.....	"	71	110	100	100	99	95	82	80	80	81
Export prices:											
All items.....	"	81	95	100	101	100	100	97	96	96	97
All manufactures.....	"	80	95	100	101	100	100	97	97	96	97
Metals and engineering goods.....	"	80	89	100	101	101	101	100	100	100	101
Textiles and clothing.....	"	84	110	100	99	96	95	91	92	92	93
Terms of trade:											
Ratio of import to export prices.....	"	95	103	100	100	100	97	91	91	91	90
SHIPPING FREIGHTS											
Tramp shipping freights (fixed in sterling).....											
	1952=100	...	...	100.0	91.2	73.5	71.2	82.2	73.8	75.8	73.9
UK WAGES											
Weekly wage rates:											
All workers.....	June 30, 1947=100	111	120	130	129	129	130	135	135	136	136
Men.....	"	110	119	129	128	128	129	134	134	134	136
Women.....	"	114	123	133	132	132	133	139	139	140	141
Weekly earnings:											
All workers.....	s. d.	128 0	141 1	151 11	...	...	...	157 7	...	...	...
Men.....	"	150 5	168 0	178 6	...	...	...	185 11	...	...	...
Women.....	"	82 7	90 1	98 4	...	...	...	100 3	...	...	...
Oct., 1938=100											
All workers.....	"	240	265	285	...	...	...	296	...	...	...
Men.....	"	218	241	259	...	...	...	269	...	...	...
Women.....	"	254	277	296	...	...	...	309	...	...	...
(1) The index of retail prices.....											

(*) The index of retail prices has been linked back to 1938 with the aid of calculations made by Professor R. G. D. Allen for the London and Cambridge Economic Service. (†) Surveys made twice a year; annual figures relate to October survey. (‡) Figures relate to April survey.

Production and Trade in Western Europe

	Austria	Belgium	Denmark	France	Germany, F.R.	Greece	Ireland	Italy	Netherlands	Norway	Sweden	Turkey
INDUSTRIAL PRODUCTION⁽¹⁾ (1948 = 100)												
1938.....	118	82	77	90	193	132	76	101	89	80	67	64
1951.....	179	118	121	125	218	171	133	144	128	119	112	118
1952.....	181	114	116	131	231	170	124	146	130	119	110	133
1953.....												
April.....	180	115	121	129	249	175	...	156	142	124	119	...
May.....	...	...	122	130	247	183	...	161	135	128	114	...
June.....	...	...	121	130	248	188	...	...	143	...	...	...
July.....	...	...	...	...	242	...	...	...	141	...	...	...

VALUE OF EXTERNAL TRADE⁽²⁾												
Monthly averages or calendar months	mn. schillings	mn. francs	mn. kroner	'000 mn. francs	mn. D. marks	'000 mn. drachmas	mn. £	'000 mn. lire	mn. guilders	mn. kroner	mn. kroner	mn. £ T.
	IMPORTS (c.i.f.)											
1938.....	50	1,922	135	3.84	505	1.2	3.45	0.94	118	99	174	12.5
1951.....	1,169	10,600	580	133.94	1,227	497.9	17.04	112.80	797	621	766	83.8
1952.....	1,163	10,252	550	132.64	1,350	432.9	14.35	120.48	694	520	746	129.7
1953.....												
April.....	1,092	9,893	639	132.87	1,252	502.9	14.68	126.36	673	495	688	112.9
May.....	1,324	9,601	603	111.43	1,237	487.3	14.65	127.40	691	506	681	113.3
June.....	1,143	9,689	621	135.13	1,338	677.2	14.46	127.94	758	...	681	129.3
July.....	996	10,129	...	119.14	1,284	...	...	...	759	...	...	...

EXPORTS (f.o.b.)												
1938.....	30	1,806	127	2.55	468	0.9	2.02	0.88	87	65	154	12.1
1951.....	803	11,047	476	123.24	1,215	127.2	6.79	85.62	610	369	767	73.3
1952.....	900	10,212	483	118.04	1,409	149.9	8.41	72.02	660	337	674	84.7
1953.....												
April.....	903	9,242	444	126.55	1,526	156.4	7.70	73.44	679	283	594	88.5
May.....	1,028	9,121	459	115.45	1,428	289.1	9.36	72.50	680	269	682	101.6
June.....	1,139	9,535	526	127.29	1,554	202.3	9.40	72.34	628	...	702	85.8
July.....	1,178	8,989	...	108.01	1,564	...	...	...	627	...	...	...

BALANCE												
1938	- 20	- 116	- 8	- 1.29	- 37	- 0.4	- 1.43	- 0.06	- 31	- 33	- 20	- 0.4
1951	- 366	+ 447	- 104	- 10.70	- 12	- 370.7	- 10.25	- 27.18	- 187	- 153	+ 1	- 20.5
1952	- 263	- 39	- 67	- 14.60	+ 59	- 283.0	- 5.94	- 48.46	- 34	- 183	- 72	- 45.0
1953												
April	- 189	- 651	- 85	- 6.32	+ 274	- 346.4	- 6.98	- 52.92	+ 7	- 212	- 94	- 24.5
May	- 296	- 480	- 44	+ 4.02	+ 192	- 198.2	- 5.29	- 54.90	- 12	- 237	- 99	- 11.8
June	- 5	- 154	+ 5	- 7.83	+ 216	- 474.9	- 5.06	- 55.60	- 130	...	+ 21	- 43.6
July	+ 182	- 1,140	...	- 11.13	+ 280	...	...	...	- 132	...	...	...

Financial Statistics

EXCHEQUER RETURNS

For the eleven days ended Sept. 30th there was an "above-line" deficit (after allowing for Sinking Funds) of £6,139,000 compared with a deficit of £43,296,000 in the previous week and a surplus of £26,215,000 in the corresponding period last year, raising the cumulative deficit to £277,202,000 (£293,211,000 in 1952-53). Net expenditure "below-line" absorbed £6,226,000, bringing the total cumulative deficit to £502,634,000 (£590,406,000 in 1952-53).

£'000	Estimate, 1953-54	April 1, 1952 to Sept. 30, 1952	April 1, 1953 to Sept. 30, 1953	Ten days ended Sept. 30, 1953	Eleven days ended Sept. 30, 1953
Ord. Revenue					
Income Tax	1782,250	474,102	450,188	11,857	14,626
Suc-tax	127,000	33,600	33,100	1,800	1,500
Death Duties	160,000	73,300	80,600	3,400	3,500
Stamps	52,000	24,450	26,100	900	1,200
Profits Tax & EPT	214,000	193,400	101,000	8,900	4,300
Excess Profits Levy	99,500	...	33,050	...	1,900
Special Contributions and other Inland Revenue	1,000	950	520	40	90
Total Inland Rev.	2435,750	799,802	724,558	26,997	27,115
Customs	1044,300	513,988	527,030	24,795	29,126
Excise	680,480	359,638	357,758	26,085	24,045
Total Customs and Excise	1724,780	873,626	884,788	50,881	53,171
Motor Duties	69,000	11,763	13,498	...	153
PO (net receipts)	2,635	...	...	...	...
Broadcast Licences	16,000	5,050	5,450	1,000	1,100
Sundry Loans	25,000	18,758	19,347	63	63
Miscell.	95,000	47,568	64,739	11,783	12,917
Total	4368,215	1756,567	1712,780	96,661	98,519
Ord. Expenditure					
Debt Interest	615,000	274,715	276,807	4,410	4,097
Payments to N. Ireland Exchequer	48,000	18,861	22,860	1,669	2,012
Other Cons. Fund	10,000	4,534	4,883	84	69
Supply Services	3586,286	1734,825	1668,372	57,834	95,952
Total	4259,286	2033,035	1972,922	63,997	102,130
Sinking Funds	...	16,743	17,060	449	527
'Above-line' Surplus or Deficit	-293211	-277,202	-262,15	-6,139	-6,139
"Below-line" Net Expenditure	297,195	225,432	10,906	6,225	6,225
Total Surplus or Deficit	-590,406	-502,634	-153,09	-12,364	-12,364
Net Receipts from:					
Tax Reserve Certificates	69,094	131,241	10,140	17,265	...
Savings Certificates	6,400	19,400	1,000	8,900	...
Defence Bonds	37,254	30,036	595	670	...

FLOATING DEBT

(£ million)				
Date	Treasury Bills		Ways and Means Advances	
	Tender	Tap	Public Depts.	Bank of England
1952				
Sept. 30.....	4,551.6		278.8	8.3
1953				
June 30.....	4,597.8		252.3	5.0
July				
4.....	3,170.0	1,438.2	239.8	...
11.....	3,190.0	1,430.0	255.3	...
18.....	3,200.0	1,464.0	263.5	...
25.....	3,220.0	1,469.0	249.7	...
Aug.				
1.....	3,250.0	1,424.3	227.0	...
8.....	3,290.0	1,389.0	208.1	...
15.....	3,310.0	1,414.8	225.4	...
22.....	3,330.0	1,422.7	241.8	...
29.....	3,350.0	1,407.6	229.3	...
Sept.				
5.....	3,370.0	1,414.0	219.2	...
12.....	3,400.0	1,395.8	251.7	...
19.....	3,430.0	1,382.1	280.0	...
30.....	4803.1		273.4	...

THE MONEY MARKET

LOMBARD STREET has still to witness any sign of the authorities' expected new policy of showing less consistent leniency in relieving the short loan market. Both on Thursday before the weekend and on the first three days of this week credit was in considerable demand in the market and on all occasions the authorities gave the special help necessary to enable the discount houses to balance their books without resort to the Bank at the penal rate. Despite the shortage of funds, the commercial bill rate still did not rise above 2½ per cent, and was, indeed, weak at that, so that the margin over the Treasury bill rate has almost run off. The softer appearance of the whole rate structure was also apparent on Friday and Saturday of last week, when overnight money was down to 1 per cent and some balances went unlent.

There was a further fall of 1/64th per cent, to £2 2s. 8.05d. per cent, in the average rate of discount at the Treasury bill tender last week, which included the popular year-end bills. Last week's fall was probably wholly caused by the increase of 1d. in the market's bid, to £99 9s. 4d., made in anticipation of the considerable increase in outside applications; in the event last week's exceptionally high market allotment was reduced to 70 per cent. The offer at yesterday's tender was raised to £280 million; the excess of new bills will rise correspondingly to £30 million.

The Bank return showed a small outflow of notes. Government securities fell by £19.1 million, "securities" rose by £10.5 million and bankers' deposits fell by £11.4 million.

LONDON MONEY RATES

Bank rate (from 4%, 17/9/53)	%	Discount rates	%
Bank bills (max)	1½	Bank bills: 60 days	2½
Bankers	1½	3 months	2½
Discount houses	1½	4 months	2½-2½
		6 months	2½-2½
Money—Day-to-day	1½-2½	Fine trade bills:	
Short periods	1½-2½	3 months	3½-4½
		4 months	3½-4½
Treas. bills	2½	6 months	4-4½
2 months	2½		
3 months	2½		

LONDON CLOSING EXCHANGE RATES

	Official Rates	Market Rates: Spot					
	Sept. 30	Sept. 24	Sept. 25	Sept. 26	Sept. 28	Sept. 29	Sept. 30
United States \$	2.78-2.82	2.80-2.80	2.80-2.80	2.80-2.80	2.80-2.80	2.80-2.80	2.80-2.80
Canadian \$	—	2.75-2.75	2.75-2.75	2.74-2.74	2.74-2.74	2.74-2.74	2.74-2.74
French Fr.	972.65-987.35	980-981	980-981	980-981	978-978	978-979	980-981
Swiss Fr.	12.15-12.35	12.17-12.17	12.17-12.17	12.17-12.17	12.17-12.17	12.17-12.17	12.17-12.17
Belgian Fr.	138.95-141.05	139.95-140.05	140.00-140.05	140.00-140.05	140.00-140.05	140.00-140.05	139.95-140.05
Dutch Gld.	10.56-10.72	10.62-10.62	10.62-10.62	10.62-10.63	10.62-10.63	10.63-10.63	10.62-10.63
W. Ger. D.Mk.	11.67-11.84	11.68-11.68	11.68-11.68	11.68-11.68	11.68-11.68	11.68-11.68	11.68-11.68
Portuguese Esc.	79.90-81.10	79.90-80.00	79.90-80.00	79.90-80.00	79.90-80.00	79.90-80.00	79.90-80.00
Swedish Kr.	14.37-14.59	14.43-14.43	14.42-14.42	14.42-14.42	14.42-14.42	14.42-14.42	14.43-14.43
Danish Kr.	19.19-19.44	19.35-19.35	19.35-19.35	19.35-19.35	19.35-19.35	19.35-19.35	19.35-19.35
Norwegian Kr.	19.85-20.15	19.98-19.98	19.98-19.98	19.98-19.98	19.98-19.98	19.98-19.98	19.98-19.98
One Month Forward Rates							
United States \$	1c. pm-par	1c. pm-par	1c. pm-par	1c. pm-par	1c. pm-par	1c. pm-par	1c. pm-par
Canadian \$	1c. -c. dis	1c. -c. dis	1c. -c. dis	1c. -c. dis	1c. -c. dis	1c. -c. dis	1c. -c. dis
French Fr.	4-7 dis	4-7 dis	4-7 dis	4-7 dis	4-7 dis	4-7 dis	4-7 dis
Swiss Fr.	1½-1c. pm	1½-1c. pm	1½-1c. pm	1½-1c. pm	1½-1c. pm	1½-1c. pm	1½-1c. pm
Belgian Fr.	Par-½ dis	Par-½ dis	Par-½ dis	Par-½ dis	Par-½ dis	Par-½ dis	Par-½ dis
Dutch Gld.	2-1c. pm	2-1c. pm	2-1c. pm	2-1c. pm	2-1c. pm	2-1c. pm	2-1c. pm
Swedish Kr.	Par-2½ dis	Par-2½ dis	Par-2½ dis	Par-2½ dis	Par-2½ dis	Par-2½ dis	Par-2½ dis
Danish Kr.	Par-3½ dis	Par-3½ dis	Par-3½ dis	Par-3½ dis	Par-3½ dis	Par-3½ dis	Par-3½ dis
Norwegian Kr.	Par-3½ dis	Par-3½ dis	Par-3½ dis	Par-3½ dis	Par-3½ dis	Par-3½ dis	Par-3½ dis

BANK OF ENGLAND RETURNS

	1952		1953	
	Oct. 1	Sept. 23	Sept. 30	
Issue Department:				
Notes in circulation	1,445.7	1,531.8	1,532.7	
Notes in banking dept.	54.6	42.7	42.7	
Govt. debt and securities	1,496.8	1,571.8	1,571.7	
Other securities	0.7	0.7	0.8	
Gold coin and bullion	2.9	2.9	2.9	
Banking Department:				
Deposits:				
Public accounts	18.3	10.5	10.7	
Treasury special account	24.2	19.9	19.9	
Bankers' special account	261.0	298.7	287.3	
Others	66.8	68.1	70.1	
Total	370.3	397.2	388.0	
Securities:				
Government	303.1	351.6	332.5	
Discounts and advances	5.9	4.3	5.2	
Other	23.6	13.6	24.1	
Total	332.6	369.5	361.8	
Banking department reserve	55.2	46.2	45.2	
"Proportion"	15.1	11.6	11.6	

* Government debt is £11,015,100, capital £14,553,000. Fiduciary issue reduced from £1,625 million to £1,575 million on August 26, 1953.

TREASURY BILLS

Date of Tender	Amount (£ million)			Average Rate of Allotment	Allotted at Max. Rate
	Offered	Applied For	Allotted		
1952					
Sept. 25	250.0	309.0	260.0	47 8.54	79
1953					
May 22	250.0	343.3	250.0	47 7.94	62
" 29	250.0	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	360.1	250.0	47 4.22	66
" 26	250.0	327.4	250.0	47 3.75	66
July					
3	250.0	334.1	250.0	46 8.48	75
" 10	260.0	353.4	260.0	47 3.47	63
" 17	250.0	385.7	250.0	47 3.60	48
" 24	240.0	375.6	240.0	46 11.89	55
" 31	250.0	395.5	250.0	45 11.66	48
Aug.					
7	260.0	369.6	260.0	47 3.50	56
" 14	270.0	347.9	270.0	47 4.37	71
" 21	270.0	358.2	270.0	47 4.25	67
" 28	280.0	370.2	280.0	46 8.25	77
Sept.					
4	300.0	394.6	300.0	47 7.43	66
" 11	300.0	388.0	300.0	47 11.85	68
" 18	280.0	340.6	280.0	43 0.06	80
" 25	270.0	362.2	270.0	42 8.05	70

* On Sept. 25th tenders for 91 day bills at 799 9s. 4d. secured about 70 per cent of the sum applied for; higher tenders were allotted in full. The offering yesterday was for a maximum amount of £230 million.

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Capital Subscribed	-	-	-	£12,000,000
Capital Paid-up	-	-	-	£7,000,000
Reserve Fund	-	-	-	£7,000,000

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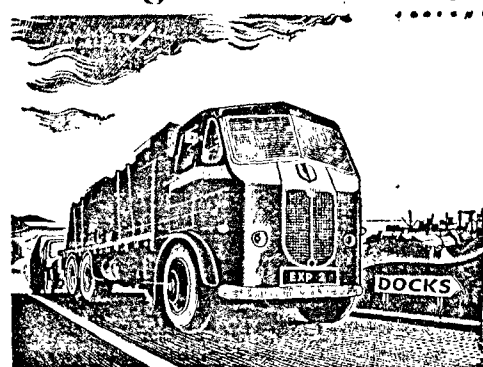
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Issued & Subscribed	...	Pak Rs. 10,000,000
Paid-up Capital	...	Pak Rs. 10,000,000
Reserve Funds	...	Pak Rs. 10,000,000
Deposits as on Dec. 31, 1952		Pak Rs. 345,700,000

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COMPANY MEETINGS

GEORGE COHEN SONS AND COMPANY, LIMITED

(Engineers and Iron, Metal and Machinery Merchants)

ATTAINMENT OF EXCEPTIONAL LEVEL OF TURNOVER

IMPACT OF HEAVY TAXATION

MR CYRIL M. COHEN ON GROUP'S WIDESPREAD RAMIFICATIONS

The twenty-ninth annual general meeting of George Cohen Sons and Company, Limited, was held on September 29th at Grosvenor House, Park Lane, London, W.

Mr Cyril M. Cohen, chairman and managing director, presided.

The following is an extract from the statement by the chairman which had been circulated with the report and accounts.

At nearly £22 millions, turnover was almost 50 per cent greater than last year's. This fact itself is a measure of the initiative, skill and loyalty displayed by the managements, staffs and workpeople of your group. I know you will wish me to voice our praise to them all.

In my last statement I forecast a smaller profit for the year now under review. It is, I think, creditable, in a period which brought its special problems of rising costs, reduced trading margins and mounting complexities in our overseas trading, that the group's profit before tax was only £60,000 less than the exceptional result for the year ended March 31, 1952.

MANUFACTURING PLANTS

K. and L. Steelfounders and Engineers, Limited: In May, this large concern celebrated the 25th anniversary of its becoming a member of the "600" Group of companies. This company's silver jubilee year was fittingly marked by a record output and record profits.

K. and L. have an exceedingly fine plant and are reaping the benefit of a policy of modernisation and expansion. Although heavily engaged throughout the year on government work, they were able to maintain a high level of output for the home and export markets.

However, before the end of the financial year it was apparent that new orders were coming in more slowly. This state of affairs has, so far, persisted and although they have a substantial volume of orders on hand, the trend is a little disquieting. Naturally, every effort is being made to correct it but exchange difficulties and import controls in many countries add to the burden of the task. Since about 60 per cent of their production has been going directly or indirectly to export, K. and L.'s prosperity stands to be materially affected by restrictions on international trading.

We have for some time appreciated that Canada, with its spectacular industrial growth and its goodwill towards Britain, represents an important potential market for our Jones KL mobile cranes. Following a comprehensive survey, undertaken by our own experts, we decided to establish ourselves in that great country.

Official approval has been given to the formation of a subsidiary company, with its headquarters in Toronto, and premises, which we now occupy, have been built very speedily to our own designs. Here we shall

take every measure for the promotion of sales, including the provision of a first-class service organisation. The difficulties of getting to grips with this rather special and competitive market have not been under-estimated, and whilst we do not expect quick results, we consider the venture to be a sound long-term, dollar-earning proposition.

T. C. Jones and Company, Limited: The extensions to the structural engineering works of T. C. Jones and Company, Limited, at Treorchy, have now been approved. The military bridging programme, to which I referred last year, is in its initial stages and full production should be attained early in 1954.

Within the limits of the steel supply position, which happily has been improving, both our works, at Treorchy and Wood Lane, have been employed to full capacity during the year.

The experience of this company, too, was that orders came forward rather less readily in the closing months of the year, but with the prospect of adequate supplies of steel, it is hoped that the Steel Economy Bulletin issued by the Ministry of Works in August, 1952, will soon be withdrawn. In that event architects and engineers will doubtless consider themselves free again to specify steel framework in place of substitute materials which have been urged upon them.

Western Metallurgical Industries Limited: Following steep and repeated falls in the prices of metals—particularly tin—we decided to make various modifications and additions to the refining plant at Neath. These added to its flexibility and at the same time gave us end-products that were both more valuable and more readily marketable. Nevertheless, the necessary alterations unavoidably interrupted the process, so that revenue suffered and unit costs mounted. As might be expected, these influences, combined to cause a relatively substantial loss on the year's operations, and full provision for this has been made in the parent company's accounts.

The construction of the much larger plant at Morriston for the extraction of lead and zinc from residues is practically finished. Production will commence during the current financial year. The future of this impressive plant is also, of course, interlinked with the prices of metals.

Subject to there being no further inordinate falls in these markets, we look to WMI to make a useful contribution to the earnings of the group.

F. Burnerd and Company, Limited: This company, which has been established for about 40 years, is very well known for the manufacture of precision chucks. A chuck is, of course, an item of equipment indispensable to many types of machine tools for holding the work-piece in position.

In December last, we purchased a 51 per cent interest in Burnerd's and our old friends, The Colchester Lathe Company, Limited, likewise acquired a 29 per cent interest.

In the succeeding months our main activities were concentrated on equipping the works to produce a more comprehensive range and reorganising the selling arrangements both at home and in many countries overseas.

THE GROUP'S MERCHANTING ACTIVITIES

Margins in our merchanting activities were severely cut during the year, due to increased competition, to the types of plant and materials which became available, and to rising costs. The fall in margins was counteracted, to some extent, by a striking increase in turnover, but although we were able to improve slightly the aggregate profits of our merchanting subsidiaries, the parent company's profit was sharply reduced.

The exceptionally high level of turnover was maintained until the end of the calendar year, but at that time several sections experienced a fall in demand and their trade has only recently shown signs of picking up. However, our large hire fleet of contractors' plant continue to be fully occupied and sales of contractors' plant and of machine tools remain at a satisfactory level.

The Selson Machine Tool Company, Limited, also increased its turnover substantially. This company holds sole agencies in this country for some of the most famous machine tool manufacturers in the world and its name is held in great repute in the industry.

From home sources we, in conjunction with our subsidiary and associated companies, have delivered to the consuming works still larger tonnages of iron and steel scrap and we have played an important part in the national scrap drive, which has so successfully produced vitally needed supplies.

As regards our overseas quest for scrap, it is no exaggeration to say that our experts have visited the four corners of the earth. The valuable outcome of these operations is indicated by the fact that we have imported over 200 cargoes for the steelworks from 28 countries, many of them exceedingly remote.

Our very skilled and experienced dismantling department has been constantly active in the scrapping of obsolete plant and structures, and also in undertaking industrial contracts for the uplifting, transference and reinstallation of productive machinery.

NET PROFITS

Before charging taxation, the profit applicable to the members of the holding company amounted to £1,712,000—only £88,000 short of last year's record figure which, for reasons I explained, we did not expect to equal on the present occasion.

We have this year borne the full brunt of the Excess Profits Levy. The punitive effect of this deplorable impost on a progressive

business such as ours, is revealed by the figure of net profit which, after taxation, is £253,000 down at £451,000. The impending withdrawal of this tax and partial restoration of initial allowances will afford some measure of relief, but further and more courageous reductions in the general level of corporate taxation are imperative. If industry is to compete successfully in world markets and play the major part in maintaining a desirable standard of life in these islands, it must be permitted to retain earnings fully adequate for its modernisation and re-equipment. Only in this way can it respond effectively to the exhortations which are repeatedly made to it and which, under present circumstances, are as tedious as they are unrealistic.

PENSION SCHEMES

Your group is in the forefront of enlightened employers in its relations with its personnel and the conditions of service it provides. We have always been eager that those who give us a lifetime of work should be well treated when they retire and, further, that when we need recruits the best should be attracted to our ranks. We have therefore reviewed our pensions schemes in the light of changes in the value of money which have occurred during the last few years, and have brought the benefits up to the standard which your board considers right.

DIVIDEND AND OTHER APPROPRIATIONS

After transferring £150,000 to subsidiary companies' general reserves and carrying forward in their accounts £103,220, there remains a figure of £198,508 which, together with the balance brought in from the previous year, £73,084, leaves to be dealt with £271,592.

We have written off £5,520, being the stamp duty and other expenses relating to the capitalisation of reserves, which increased the nominal ordinary capital to £1,500,000.

We have paid the dividend on the 4½ per cent preference stock, and an interim dividend on the increased ordinary stock at 3½ per cent. We are now proposing a final dividend of 8½ per cent on the ordinary stock, leaving a balance to be carried forward in the accounts of the parent company of £79,030.

If you approve this proposal, the total ordinary dividend will be 12 per cent for the year. Last year's dividend, when related to the now revised nominal ordinary capital, was equal to 10.4 per cent and your board is convinced that the year's results and the financial position of your group fully justify the modest increase. The new dividend is equivalent to 5.4 per cent on the total capital invested by ordinary stockholders.

OUTLOOK

The charts and summaries given in the report depict the impressive expansion of your Group since the parent company became public in 1947 and its evident financial strength.

Our efforts continue to be directed towards the consolidation of the Group's resources, achieving the highest possible degree of modernisation of its plants and expanding them where we see profitable opportunities. Despite manifold difficulties, we have successfully contrived to bring our works up to a very high pitch of efficiency, and good progress has been made with the heavy programme of extensions at Letchworth to which I made reference last year. At Treorchy also the creation of additional factory space is in hand. We do not doubt that our manufacturing plants will continue to justify the confidence we have in them.

As regards the parent company and our merchanting companies, we have every reason to be proud of their resilience and ability to solve the many problems which confront them in their complex and widespread businesses.

I have, however, indicated that in the year under review we attained an exceptional level of turnover, while the year ended March 31, 1952, yielded exceptional margins. I have also spoken of the slackening in the flow of orders to most companies in the Group. For the current year we cannot hope to maintain the extraordinary levels of the last two years—indeed, we are expecting a substantial reduction in turnover, with a consequent fall in earnings.

On the other hand, the brutal impact of taxation has guillotined the top layer of this year's profits. At the lower level which I predict, taxation will not make such sweeping inroads into our retainable profits. Thus the effects of the drop will be largely absorbed.

I feel that we have no need at all to be despondent at the return to less abnormal times. Your Group, with its many ramifications and diverse interests, is well equipped to face whatever the future may hold and acquit itself commendably.

The report was adopted.

NYASALAND RAILWAYS, LIMITED

RECORD OPERATING RECEIPTS

MR W. M. CODRINGTON ON SUGGESTED TRANSFER OF CONTROL

The twenty-second annual general meeting of Nyasaland Railways, Limited, was held on September 24th in London, Mr W. M. Codrington, CMG, MC (chairman and managing director), presiding.

The following are extracts from his circulated statement:

Operating receipts during 1952 were £652,843 compared with £583,594 in 1951, an increase of nearly 12 per cent, and constituted a record. Operating expenditure, on the other hand, also increased and amounted to £547,443 compared with £458,240 in 1951. The ratio of expenditure to receipts was 83.85 per cent, compared with 78.52 per cent in the previous year. After referring to record traffics, Mr Codrington's statement continues:

It has been necessary to make increased provision for the renewal of additional assets and assets replaced at higher prices and we have put aside £89,001 compared with £77,273 in 1951. Available as provision for the increased cost of the replacement of fixed assets is the reduced sum of £16,283, compared with the 1951 figure of £27,885.

After providing for interest on the first debenture stock, we are able to pay £79,719 as interest on the 5 per cent consolidated income debenture stock, which is equivalent to a payment at the rate of 2½ per cent.

CONTINUED RISE IN COSTS

There is no doubt that it is only by greater operating efficiency and the use of our new rolling stock, that we have managed to absorb some part of the continually increasing operating expenditure; but costs unfortunately still continue to rise, mainly as a result of salary and wage increases.

The lake service continues to be an unremunerative burden. The tonnage carried

declined from last year's figure of 8,255 tons to 7,857 tons; and the revenue earned was only £24,664 against expenditure, including provision for renewals, of £68,523. As I reported to you last year, representations were made to the Nyasaland Government on the matter, but I regret we have not yet achieved what we can regard as an equitable solution of this problem. I still feel that the heavy burden of providing and maintaining a development service of this nature is not one which should fall on the railway, even though in the long run the loss falls on the Nyasaland Government by way of reduced interest on our consolidated income debenture stock held wholly by them.

The Federation of Northern and Southern Rhodesia and Nyasaland has now been achieved. The only immediate effect so far as the railway is concerned will be that the powers hitherto exercised by the Nyasaland Government and the right they at present possess under our contract with them to terminate our concession, after due notice and on payment of compensation, will pass to the Federal Government. If this right were exercised, the portion of the Nyasaland-Beira route which lies in British territory might be amalgamated with the Rhodesia Railways; and it is sometimes argued that if this were done their charges would be applied in Nyasaland and considerable operational and administrative economies would be achieved. This can only be regarded as wishful thinking.

It is true that the Rhodesia Railways with their much heavier traffic and longer hauls can in many cases afford to charge lower rates than those charged by us, but it is at least doubtful whether Rhodesia Railways and its customers would be willing to subsidise rail transport in Nyasaland to make good the loss resulting from a reduction of rates. Moreover, it must be stressed that any reduction in rates resulting from amalgamation would only apply on that part of the system which is in British territory, that is to say, on roughly half the total distance between Salima and Beira. There is also little scope for securing administrative and operating economies by this means; since our line is separated from the Rhodesia Railways system by some 400 miles of railway in Portuguese territory. Indeed the inevitable creation of a separate management for the section in Portuguese territory, coupled with the risk of the introduction of Rhodesian labour regulations on the section in Nyasaland, would be bound to increase costs considerably. If at any time, for reasons of policy, it appeared desirable that Rhodesian Railway rates should be introduced on our system, this could quite easily be done through a subsidised rates equalisation fund without in any way disturbing the existing unification of the rail route from Lake Nyasa to Beira under British management. The new federal government will need to find finance on a large scale for the development of their territories. It seems probable, therefore, that they, like the Nyasaland government in the past, will hesitate to exercise their right to buy out our company; since the considerable capital which would be needed for this operation can be more profitably employed in direct development of the country, rather than in replacing the British capital already invested in the railway.

TRANSFER OF CONTROL

After referring to the proposal of the Governor of Nyasaland that control of the company be transferred to Nyasaland, Mr Codrington stated that the company was subsequently informed by the Secretary of State for the Colonies that it had been decided that the suggestion for the transfer of control was now in abeyance.

The report was adopted.

JOHN BROWN AND COMPANY, LIMITED

(Shipbuilders and Engineers)

WIDELY SPREAD FIELD OF INTERESTS

LORD ABERCONWAY ON CHANGING TRADING CONDITIONS

The eighty-ninth annual general meeting of John Brown and Company, Limited, was held on September 25th at 4 The Sanctuary, Westminster, London, S.W.

The Right Hon Lord Aberconway, the Chairman, presided, and in the course of his speech said:

I rise to move that the balance sheet and accounts of the Company and the proceedings of the directors for the year ended March 31, 1953, be and are hereby approved and adopted.

THE LATE CHAIRMAN

Since the last general meeting the Company has suffered a severe loss through the death of its Chairman, the late Lord Aberconway. Those of us who have worked with him know how unflinching was his enthusiasm in supporting every side of the Company's business and how sound was the judgment which he brought to bear upon the affairs of the company and its associated companies during the twenty years or so of his chairmanship. His experience and his counsel will be sadly missed. My colleagues have honoured me by electing me to be Chairman and you can be assured that I shall spare no effort to promote the interest and well-being of the Company.

To the deep personal regret of the directors, Sir Donald M. Skiffington, after sixty years of service to the Company, has resigned his seat on the board. He was shipyard manager at Clydebank for 30 years and was responsible for the construction of many large and famous ships: the reputation of Clydebank for good workmanship and punctual delivery is due not a little to the standards which he set and maintained. The board have elected the Company's secretary, Mr J. W. Beck, to be a Director. In this capacity we look forward to receiving from him, with his great business experience and his knowledge of the affairs of all our companies, even more assistance than hitherto.

AMPLE COVERAGE FOR ORDINARY DIVIDEND

There has been a considerable diminution in the consolidated profit from the abnormally high figures of last year; even after taxation, however, it remains ample for the maintenance of the company's ordinary dividend. A substantial part of this diminution in profits has resulted from a fall in tungsten values; a further considerable part has been due to the difficulties experienced in the supply of steel plate, especially thin plate; and trading conditions generally have been more competitive. The first factor, particularly by contrast with the rise of tungsten prices to unprecedented levels during the previous year, has this year adversely affected profits and stock values of some of our businesses which use this material. The shortage of steel plate has limited activity in shipbuilding at Clydebank and has also affected to a greater degree the output of rolling stock at Cravens works. However, the diversity of our engineering interests has within limits a compensating effect such that in a year when one company or establishment does less well others may do rather better. If you look at the consolidated profit and loss account, and at the comparative figures of last year shown thereon, you will see that this year we are carrying forward a balance greater by some £725,000 than the balance

brought forward from 1951, two years earlier, and that some £280,000 has been added to the reserves of subsidiary companies in the same period.

INVESTMENT CHANGES

We have made a number of changes in our investments. In particular, we have sold the balance of our Iron and Steel stock and have used the proceeds to finance the business of our subsidiaries; and we have acquired those ordinary shares of Webster and Bennett, Limited, which were not already held by Wickman, Limited, and have thus obtained a substantial extension to our range of machine tools. The £39,588 of first mortgage debentures shown on the consolidated balance sheet are in respect of Webster and Bennett, Limited.

In accordance with the resolution passed at the extra-ordinary general meeting held on March 27, 1953, John Brown and Company, Limited, ceased to trade at the end of its financial year; all its trading activities are accordingly now conducted through subsidiary and associated companies. Each subsidiary company is administered by its own board generally consisting of the principal executives engaged in the daily work of such company and of some members of the board of the parent company. With the cessation of trading by the Company, it is thought no longer appropriate to publish a profit and loss account of the company: the consolidated profit and loss account gives stockholders a more informative view of our trading results.

CLYDEBANK'S SUCCESSFUL YEAR

The shipyard and engineering works at Clydebank now operated as John Brown and Company (Clydebank), Limited, have had a successful year. This company has on hand a very large order book covering contracts, some of them for delivery several years hence, with many distinguished clients. Our Clydebank management is making every effort to see that there is no falling back in scheduled deliveries of ships. It is difficult, if not almost impossible, to recover lost time, and any hindrance to production, of whatever nature, seriously affects the earnings of the company, its customers, and its workpeople. Regular, timely and sufficient supplies of steel are essential, both to ourselves and to the many suppliers of auxiliary equipment which we have to instal in the ships we build.

Her Majesty the Queen, accompanied by His Royal Highness the Duke of Edinburgh, visited Clydebank on April 16th to name and launch the Royal Yacht *Britannia*. This vessel is now being fitted out for commissioning at the end of the year. The large P and O liner *Arcadia* is also fitting out and will leave Clydebank not very long after the Royal Yacht.

Good progress has been made in gas turbine development. The first 12,500-kw set has been erected at Dundee. Largely as a result of success achieved at Clydebank in the technique of burning peat, important developments in power generation from peat are to be carried out by the North of Scotland Hydro Electric Board.

We obtained possession at the end of May, 1952, of the works erected by Scottish Industrial Estates, Limited, at Whitecrock in the

borough of Clydebank. An effective staff and working force has now been built up. Primarily the works will serve the needs of the Land Boiler Division, but their size and equipment enables them to undertake efficiently an additional wide range of engineering work. The company concluded an agreement with Riley Stoker Corporation of Worcester, Massachusetts, securing to the Land Boiler Division the use of the technical standards and the resources in engineering design of one of the most progressive steam generating plant designers and builders in the USA. The Land Boiler Division continues to build up its organisation, and continues to be entrusted with further contracts by the British Electricity Authority.

SUBSIDIARY COMPANIES

Wickman, Limited, has had a successful year; but the results of its hard metal business have been adversely affected by tungsten price fluctuations. On the machine tool side, the order book is substantial and new developments in the six-spindle automatic field and in other metal-cutting equipment and processes continue satisfactorily. Webster and Bennett, Limited, now owned jointly by the company and by Wickman, Limited, manufactures first-class vertical boring mills; this company has a large order book and is working substantially to capacity.

Although the profits earned by Fifth Brown Tools, Limited, were considerably lower than the quite exceptional earnings of the previous year, they have been satisfactory. A high level of output has been maintained, but towards the end of the year incoming orders diminished as customers, being able to obtain shorter deliveries of tools, reduced their own stocks before placing orders; this situation continues. Overseas trade in this company's products, beset by import quotas and currency restrictions, has been very difficult.

CONTRIBUTION TO BRITISH AVIATION

John Brown's attach great importance to the contribution they are able to make to the development of British aviation through their shareholding in Westland Aircraft, Limited. By their courageous pioneering, at their own risk, of the S.51 or "Dragonfly" helicopter, and more recently of the larger S.55 machines, Westland have accumulated a volume of helicopter experience unequalled in this country. It is hoped that thereby they will be able to play an increasing part in the great developments of this new vehicle which are certain to occur in the next decade in both military and civil spheres. The technical difficulties of applying a high-powered gas turbine to driving the propellers of a fighter aircraft have been overcome and a squadron of "Wyverns" is now in service with the Royal Navy. Westland's subsidiary, Normalair, Limited, has continued to develop and supply equipment for many aircraft and was also responsible for the oxygen equipment used by the successful Everest climbers.

OVERSEAS

Rhodesian Alloys, Limited, in which we are partners with the British South Africa Company and with Rhodesian Anglo American Corporation, has now commenced the production of ferro-chrome at Gwelo in Southern Rhodesia.

DEVELOPMENT POLICY

It is not, of course, practicable to review in detail the full field of the activities of our subsidiary and associated companies. You will see from what I have said that our interests, which are principally in the field of engineering and the building of engineering equipment, are widely spread. Some of our enterprises are companies with long-established businesses; some we have created from the beginning and have brought to maturity; some are in their early growth and are not yet remunerative. To foster these last, though our most difficult task, is, we believe, the right course for the company's future well-being.

COMPETITIVE CONDITIONS

In most of the industries in which we participate trade has become more competitive, both in price and in delivery. In export markets this is especially noticeable. If this country is to hold these markets and thus maintain a high level of employment, manufacturers must be assured of reasonable stability, both of costs and of supplies of materials. Until this is achieved our export trade will remain under a grave disability in the increasingly competitive markets of the world.

The altering conditions of trade have thrown a heavy load upon our various managements and staffs, to whom we owe a great debt of gratitude for their skill and diligence.

The report and accounts were adopted.

SCRIBBANS-KEMP

RECORD SALES

The twenty-sixth annual general meeting of Scribbans-Kemp, Limited, was held on October 1st in London, Mr H. Oliver-King (chairman and managing director) presiding.

The following is an extract from his circulated statement:

During the year just closed the total sales were the highest in the group's history, but the margin of profit on all goods manufactured by our various companies narrowed considerably.

I am happy to be able to report that our export trade is up, particularly in regard to those two difficult dollar markets—Canada and the USA.

The Barker and Dobson purchase is proving very satisfactory, and is showing excellent results. This is the well-renowned Liverpool company manufacturing sweets and chocolate, and their main difficulty is to meet the heavy demand made upon them for their products.

The profit is £1,556,062 as against £1,370,515 last year—a result which I feel sure the shareholders will regard as satisfactory, considering the uneven trading conditions and the uncertainty of the supply of raw materials. The total tax liability is not far short of a million on the profits earned to March 31, 1953. The total revenue and capital reserves now amount to £4,020,140. The surplus of current assets over current liabilities stands at £3,234,671.

At the time of writing, sugar confectionery sales are well up, although flour confectionery sales do not show the same buoyancy as last year and we may be entering a keenly competitive period. However, the board has every confidence in the future of the business and its expansion.

The report was adopted and the total dividend of 12½% for the year was approved.

THE GENERAL ELECTRIC COMPANY, LIMITED

FURTHER PROGRESS

The fifty-third annual general meeting of the General Electric Company, Limited, was held on September 24th in London.

Sir Harry Railing, the chairman, in the course of his speech, said: After allowing £1,151,000 for depreciation, £58,000 more than last year, and other provisions, we show a profit of £4,230,000 before taxation. Taxation absorbs 69 per cent, and we are allowed to keep 31 per cent of the profit we have earned. During the last six years taxation has withdrawn £18,500,000 from your company's capital, whilst the net dividends paid to the stockholders amounted to £4,150,000.

The directors, after allocating in respect of the Holding Company £800,000 to general reserve, £950,000 to reserve for stock depreciation and £500,000 to reserve for increased cost of plant replacement, and after paying dividends on the preference stocks and an interim dividend of 3½ per cent on the ordinary stock, have recommended a final dividend of 7½ per cent, making 11½ per cent for the year. Our current assets exceed current and deferred liabilities by £25 million, and thus show again the inherent strength of your company.

Your company's activities last year show overall a further increase both in total production and in sales. We continued the uninterrupted progress made each year since the war. These increases were mainly due to the higher output of capital goods, the great demand for which has been maintained ever since the end of the war, and has led to a large volume of long-term contracts.

THE OUTLOOK

The future of every British company in the electrical field depends fundamentally on the progressive development of the world and the part we in Great Britain are capable of playing in it. The field in front of our company and the need for our help is unlimited. The world is crying out for fuller use of existing applications and for research in many fields hardly yet surveyed. The forward march in certain countries, or in certain fields, may be delayed by lack of capital, by artificial restrictions, by adherence to ideological labels, or by ill-conceived demands, but it cannot be stayed. There is no industry from which greater progress is expected than the electrical industry.

Your company will continue, as in the past, with full confidence in its strength and in the possibilities of the wide sphere it covers, irrespective of difficulties in one field or another. Our confidence is based on past performance and on the assets and facilities which we have created.

We have a reputation for quality second to none. Our conservative policy has built up a reserve of £22,500,000 and an excess of total assets over liabilities of £40 million. We have expanded in all fields of heavy engineering, cable and communications, and thus created a capacity which enables us to take our proper share of the demand for capital goods; we are equipped and determined to maintain the leading position due to us over the complete range of domestic equipment and our predominant position in lighting.

Given that understanding of unity of purpose, which has always existed in the GEC, I am confident that in the future, as in the past, we shall make our full contribution to any tasks which may face us.

The report and accounts were adopted.

FODENS LIMITED

The fifty-first annual general meeting of Fodens Limited was held on September 30th at Elworth Works, Sandbach. Mr James Wild, the chairman, said in his report:

The turnover this year is well in excess of last year, with a resulting increase of £59,553 in the gross profit after providing for depreciation.

The introduction of the excess profits levy has had the effect of increasing the company's total taxation liability to such a degree that, whilst our gross profit is greater than last year, our net profit, after taxation, is £18,631 lower. The taxation liability is approximately 70 per cent of the profit as compared with 60 per cent for the previous year.

In addition to our usual range of transport vehicles, the "Foden" heavy duty dumper truck has been developed to work under most arduous conditions. The output of the "Foden" two-stroke engine has increased considerably.

Our export trade has been steady, although still impeded by adverse legislation which is holding up a number of orders.

Our subsidiary company in South Africa has enjoyed another successful year's trading.

Regarding the outlook for the future, it is difficult to forecast, but we have a satisfactory and healthy order book, and prospects for the current year are encouraging.

There are signs of increasing competition. We face this competition, however, with every confidence in our ability to secure a full share of the available business.

Finally, I wish to refer to the good relationship between management and employees, and to thank them all for their good work.

The report was adopted.

A. LEWIS & CO. (WESTMINSTER), LIMITED
MULTIPLE TOBACCONISTS

The twenty-fourth annual general meeting of the company was held on September 29th, and the following are extracts from the statement of the chairman, Mr P. L. Fleming, circulated with the accounts for the year ended March 31, 1953.

In the years when the Tobacco Duty was being stepped up from 9s. 6d. to 58s. 2d. per lb, our turnover, measured in weight, used to drop sharply after the Budget and then recover. Last autumn, however, the suggestion was made that smoking has a serious effect on health. This suggestion is always being made and never proved; but on this occasion it received more than usual publicity and consumption fell sharply. The temporary drop left it 3 per cent down on the year, with the result that trading profits declined from £197,097 to £181,192.

With most other retailers the margin of gross profit bears some relation to the cost of selling the goods, but on proprietary brands of cigarettes and tobacco the margin is quite insufficient to carry the cost of selling. That is why we are seeking to use our shops to sell a wider variety of goods in addition to the fancy goods associated with smoking; and when sweets came off ration in March we lost no time in adapting some of our branches to the handling of sweets in conjunction with tobacco, and we have already re-equipped 24 of them. The results, so far, are most encouraging. We are making strenuous efforts to adjust ourselves to the changing conditions in our trade and, while we think our profits have now reached the low ebb, we cannot recommend a final dividend of more than 15 per cent, making 30 per cent for the year.

The report and accounts were adopted.

MUREX LIMITED

EFFECT OF RAW MATERIAL PRICE FALL

The thirty-fourth annual general meeting of Murex Limited was held on September 30th in London.

Sir Arthur Smout (the chairman) presided, and in the course of his speech said: Special mention was made in the last two annual reports of the artificial character of part of the profits, which arose fortuitously on the turnover of stocks purchased at prices below replacement cost. The board prudently set aside out of the profits of those years, after provision for taxation, £500,000 as a specific stock contingency reserve to meet losses that were bound to arise as the abnormally high prices of certain raw materials returned to more normal levels. The past year was quite different; the pendulum swung, as was to be expected, in the opposite direction. There have been welcome reductions in the prices of wolfram, copper and other raw materials which form a substantial part of the company's operations, and losses of an abnormal character were incurred on stocks necessarily carried.

These losses amounted, before taxation, to about £250,000, compared with fortuitous profits in the previous year of nearly £500,000. Thus, of the decrease of approximately £900,000 in trading profits for the year nearly £750,000 is of a fortuitous nature.

Last year the board set aside £400,000 for the replacement of fixed assets and they have added £150,000 to this reserve out of the profits of the year towards the full replacement cost of buildings, plant and equipment. After making these appropriations and providing for the annual dividend of 15 per cent on the ordinary stock, which we recommend, the balance of the available group profits (£182,000) has been transferred to general reserve.

We are by no means through our programme for the modernisation, improvement and expansion of our buildings, production plants and services, and further authorisations of capital expenditure will be made whenever there is real necessity, and where the expected economic benefit to be derived from such expenditure is justified. The board anticipates that the present programme of future capital development will be met out of earnings and that falling prices of raw materials will reduce working capital requirements.

GRATIFYING INCREASE IN OVERSEAS TRADE

The company is principally a supplier of specialised metallurgical and engineering products to the ferrous and non-ferrous industries in the United Kingdom, and its fortunes are, to a large extent, dependent on the activities of those industries.

While there was a gratifying increase in our overseas trade during the year, particularly in the dollar areas, exports of the parent company's basic products are unlikely to show any significant overall expansion.

We are constantly striving to improve our manufacturing processes and to extend the range of our products to meet the widening demands of modern industry, and the company's research department is in the forefront in the study and application of science to our industry.

Your board is confident that the company will continue to obtain its share of business offering and that the outlook will improve as industry adjusts itself to changing world conditions.

The report was adopted.

COAST LINES, LIMITED

INCREASED PROFIT

The fortieth annual general meeting of Coast Lines, Limited, was held on September 29th in London, Capt A. R. S. Nutting, OBE, MC, chairman, presiding.

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

The consolidated profit and loss account shows that the trading profit for the year amounted to £1,580,624, an increase of £215,987 over the figure of the previous year's account. I regard the increase in the trading profit in 1952 as a tangible result of years of effort by your board to establish a flexible group organisation able to act quickly in changing circumstances so as to use the total tonnage at our disposal economically and with full regard to our shippers' requirements.

The net profit of the company and subsidiaries amounts to £790,147, against £467,306 in the previous year. The final dividend we recommend on the ordinary stock is 5 per cent, making 7½ per cent for the year, against 6½ per cent for the previous year.

The total number of vessels owned by the group at the end of 1952 (excluding trawlers) was 112. Our various freight services round the coasts of Great Britain and with Ireland, the Channel Islands and the Continent were satisfactorily maintained throughout the year with due regard to their normal regularity.

So far as the current year is concerned, those difficulties still remain, but there is no doubt in my mind that they will continue to be met as they have been in the past, and I am hopeful that we shall be able at any rate to maintain our position in 1953.

The report was adopted.

CELLACTITE & BRITISH URALITE

MR GEORGE V. PARKER'S STATEMENT

The annual general meeting of Cellactite & British Uralite, Limited, was held on September 29th at Higham, Kent, Mr George V. Parker (the chairman) presiding.

The following is an extract from his circulated statement:

The accounts disclose a trading loss of £37,062. At the beginning of last year we were fully justified in maintaining the progressive programme, based upon our increasing trade of the last few years, but the lower turnover, due to the decline in the demand for our products, and lower selling prices to meet intensified competition, entirely upset our profit ratio.

Let me remind you that we are manufacturers, and our chief raw materials are imported from overseas, for which we have to budget many months ahead. Moreover, many of our asbestos-cement products have to mature before going into stock. On the other hand, many of our customers, chiefly for financial reasons, do not now buy for stock, but only as and when they have definite orders. To ease the position your directors recently decided to cease production of both flat and corrugated asbestos-cement sheets, and concentrate on the manufacture of Urastone, rainwater, flue goods and ducting of which, in the art of manufacture, we are without equal.

I cannot attempt to forecast the future as up-to-date deliveries are still disappointing. All I can say is, that every effort is being made to bring about a more satisfactory state of affairs. In this I feel we shall succeed.

The report was adopted.

PURCHASING OFFICERS ASSOCIATION

NATIONAL CHAIRMAN'S REPORT

At the annual general meeting of the Purchasing Officers Association, held during the twenty-second National Conference at Brighton on September 26, 1953, the retiring National Chairman, Mr F. J. White (Chance Brothers, Limited) reported a year of progress and expansion in the Association's work of increasing the national recognition of the importance of efficient purchasing and advancing the professional interests of buyers in industrial and public undertakings.

Membership had increased from 2,900 in 1952 to a present total of 3,300.

New Branches and Groups had been formed in four centres, and now numbered 41; and the Branches in Australia and South Africa had made notable progress.

The Education Scheme was progressing favourably. The number of registered students had increased by 75 per cent during the year, and the number of colleges throughout the country holding courses for the Association's final examination had risen from seven in 1952-3 to twelve in the 1953-4 session. A new development was the formation of student societies throughout the country.

The Association's monthly *Purchasing Journal* had made further strides, while the weekly *Purchasing Bulletin* had increased its circulation by 20 per cent.

At the conclusion of the Conference Mr H. H. C. Wood (Igranic Electric Company, Limited) and Mr J. Ferguson, BSc(Tech) (United Ebonite and Lorival Limited) were elected President and National Chairman, respectively, for the year 1953-4.

THE BRITISH HOMOPHONE COMPANY, LIMITED

MR J. LESSER'S SPEECH

The annual general meeting of this company was held on September 30th in London.

Mr J. Lesser, chairman and managing director, in the course of his speech, said: The profit of the group for the year under review to March 31, 1953, was lower than last year, being £33,949 as against £42,168. Consequently the taxation charge for this year is correspondingly lower, the profit after taxation being £14,393 as compared with the previous year's figure of £17,078. The consolidated balance sheet continues to show a strong and healthy position.

As I stated at the last annual general meeting your subsidiary company—Ebonestos Industries Limited—in common with other concerns in the plastic moulding industry, was experiencing a recession in trade. To a period extending to within the last month or so conditions had become progressively more difficult and it was increasingly difficult to work on an overall profitable basis. However, since last month there have been some signs of a revival of demand which we hope will persist and enable us to report better results for the later part of the current trading year.

The British Homophone Company is engaged in a more specialised type of business, which is not subject to the peaks and troughs in trading conditions as is your subsidiary company. We are glad to be able to state that the Homophone Company is maintaining its trading profit since the termination of the year under review.

The report was adopted.

PALESTINE ELECTRIC CORPORATION

VISCOUNT SAMUEL ON NEGOTIATIONS WITH GOVERNMENT

The thirtieth annual general meeting of the Palestine Electric Corporation Limited, held on September 30th in London, The Hon Viscount Samuel, PC, GCB, GBE, chairman, presiding.

The following is an extract from his circulated statement:

Sales of electricity in 1952—638 million kwh—represented an increase of 106 million kwh, or 19.8 per cent over the sales in 1951.

Our directors made strong representations to the government regarding the inadequacy of the rates introduced in July, 1952. After negotiations, new rates were approved and brought into force, as from January 1, 1953. The Corporation is now operating at a profit and should be in a position to resume payment of a dividend.

The Corporation has in recent years made enormous efforts to meet the ever-increasing demand for electrical energy. It is proposed to construct a new power station in the South

to house generating plant with a capacity of 140,000 kW, part of which is already on order. The generating capacity of the undertaking is thus expected to reach 370,000 kW by 1956.

PROBLEM OF FINANCE

The further expansion of the electricity supply is a matter of primary importance in the economic life and development of the country, which concerns greatly both the government and ourselves. As the cause of the present difficulties in raising capital for the financing of such expansion lies entirely beyond the control of the Corporation negotiations have been conducted with the government as to the best practicable solution of this problem. As a result of these negotiations Heads of Agreement have been reached in which are embodied the following financial terms:

(a) The government to provide the finance required for the expansion of the undertaking and to receive against such finance shares of a special class in Israel currency denomination, to be known as "B" ordinary shares, which rank for dividend after the ordinary and "A" ordinary stock and shares.

(b) The government to guarantee the fixed dividend on the preference and second pre-

ference stock and an agreed dividend on the ordinary stock and shares and "A" ordinary stock of the Corporation, and to provide the sterling necessary to pay such dividends.

(c) The government to have an option within an agreed period to purchase the ordinary and "A" ordinary stock and shares of the Corporation at a price in sterling to be agreed upon, or, failing agreement, on the basis of the net sterling value of the undertaking as assessed by independent valuers.

(d) If the government do not exercise their option, the holders of the ordinary and "A" ordinary stock and shares to receive "C" ordinary shares, in sterling denomination, to an amount equal to the difference between the paid-up capital and the value of the assets according to the above-mentioned valuation. The holders of the ordinary stock and shares to have also the right to give notice to the government requiring the latter to purchase all the ordinary, "A" ordinary and "C" ordinary stock and shares.

As soon as the final documents are completed and any assents that are requisite have been obtained, an extraordinary general meeting will be called to pass the resolutions necessary to carry the agreement into effect.

The report was adopted.

ASHANTI GOLDFIELDS CORPORATION LIMITED

NOTICE IS HEREBY GIVEN that the Board of Directors have today declared an Interim Dividend (No. 114) on the Issued Capital of the Corporation at the rate of 9.6d. per Unit of Stock, less Income Tax at 9s. in the £. This Dividend, which is in respect of the year ending September 30, 1953, to be payable on and after November 13, 1953, to all Stockholders on the Registers on October 3, 1953, to October 12, 1953, both dates inclusive, for the preparation of Dividend Lists.

By Order of the Board,
E. W. MORGAN, Secretary.

Registered Address:
10 Old Jewry, London, E.C.2.
September 29, 1953.

BIBIANI (1927) LIMITED

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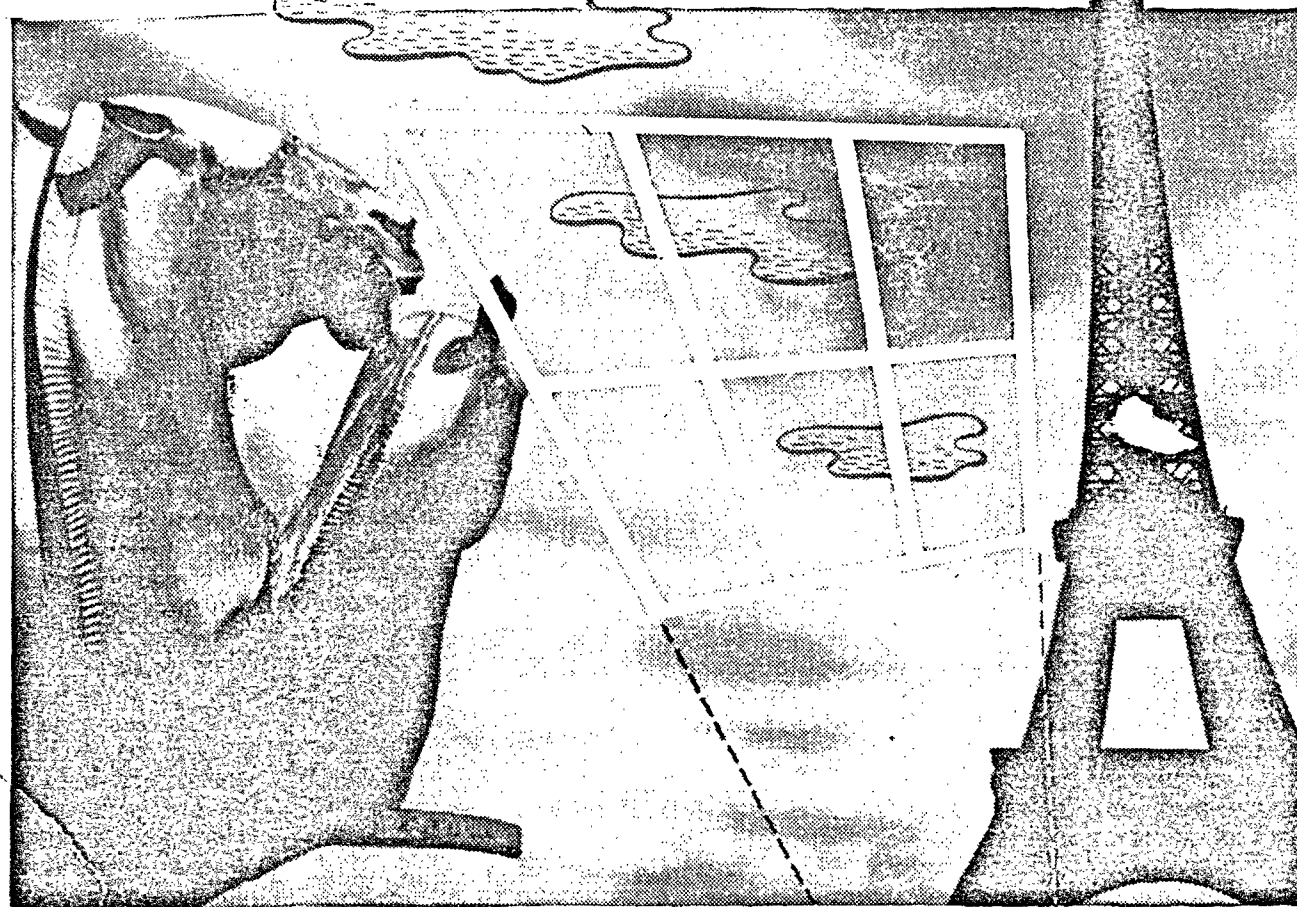
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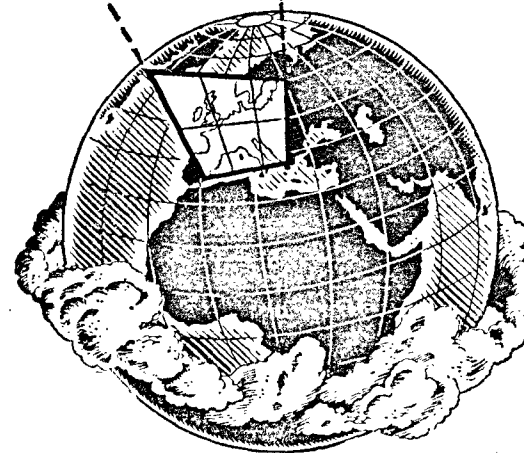
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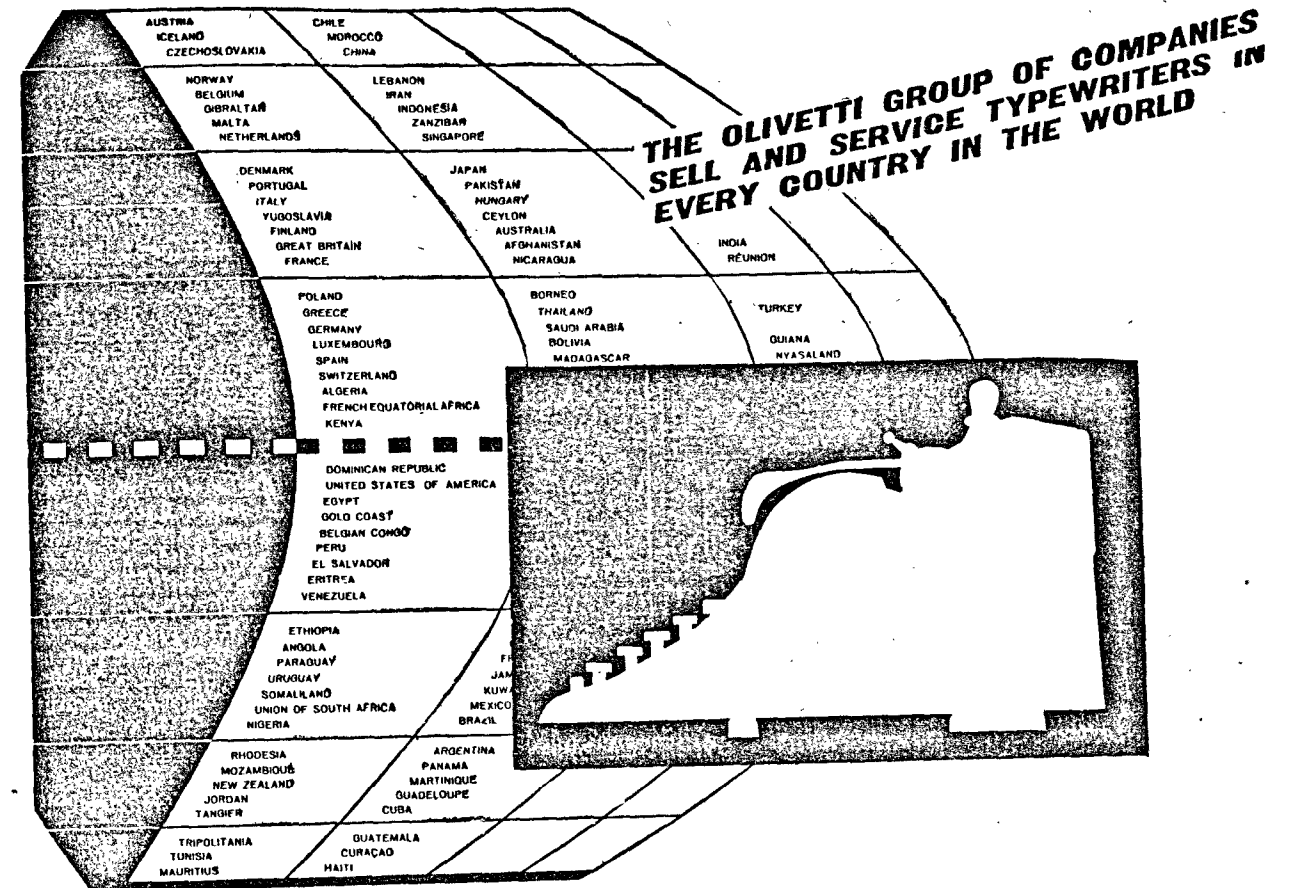
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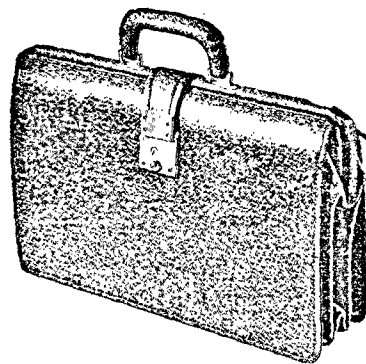
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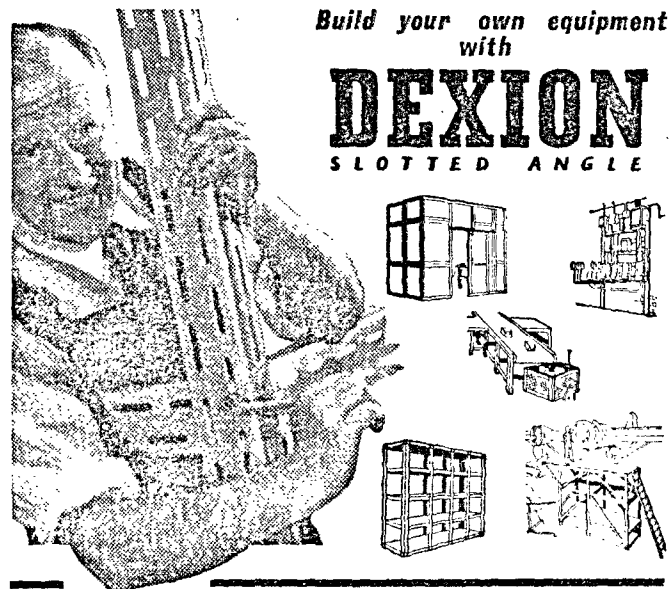
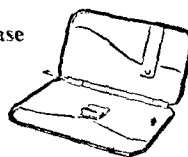
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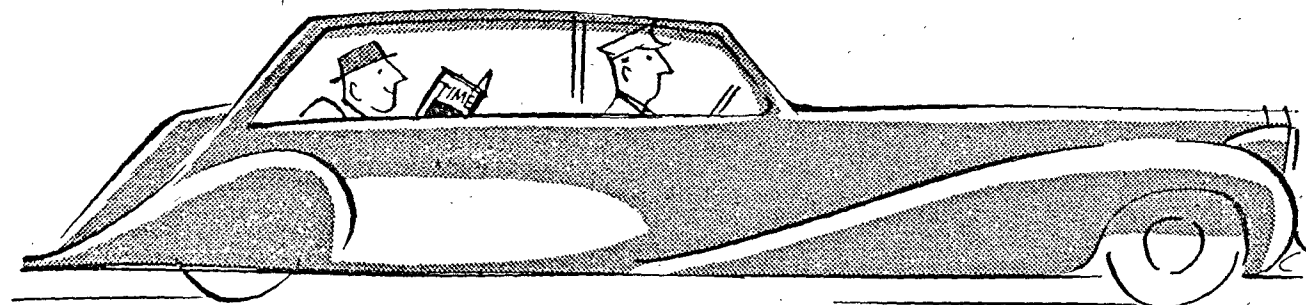
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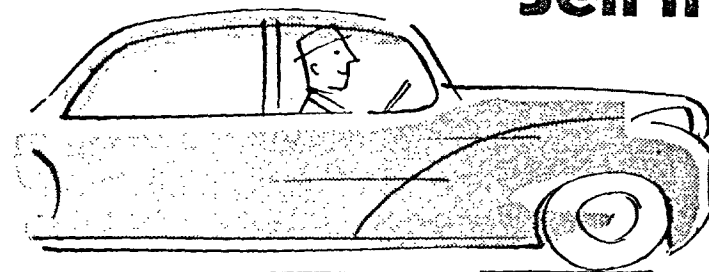
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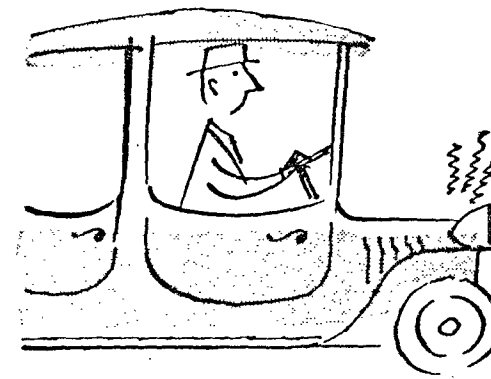
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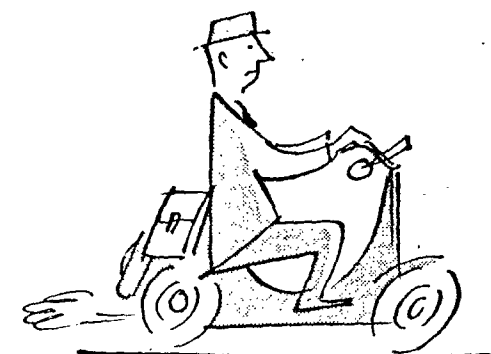
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The Irish Economy

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Retreat to What?

ON the last morning of the Labour party conference Mr David Low's cartoon in the *Manchester Guardian* showed the Labour leaders in the style of Napoleon's Grand Army of 1812, on the way back. The drawing was called "Retreat to Liberalism." Of the retreat there is no doubt. The upshot of the conference's debates on nationalisation is that socialist doctrine has been set aside. It is true that the withdrawal may not be permanent. Certainly the left wing of the party hopes to lead it boldly forth again another day. But that, if it comes at all, is some way off; at the earliest, it will be the next general election but one before the British people are again invited to endorse a specifically socialist programme. At the next election, Labour will offer itself as an alternative government committed to only one old-style act extending national ownership of the means of production—and that, since the production involved is water, can hardly figure prominently among election issues.

The question is where Labour is retreating to. Mr Low's answer probably expresses what is widely felt. Certainly it is what most people of middle opinions—people who are neither socialists nor convinced adherents of the Tory party—would like to believe. It recalls the days, twenty and thirty years ago, when radicals of good will felt impelled to join their cause with Labour's as the only practicable way of fighting the entrenched Tories who seemed to be letting the happiness, prosperity and safety of these islands slip away. If the Labour party really is now turning to liberalism, many honest men may feel with relief that after all their prewar and wartime politics have been justified. The retreat would fit into an historical pattern, and that in itself is a powerful influence making men believe that it is happening. There are many other influences. Nothing would do more to revive optimism in this country—to restore confidence about the health of its politics and the virility of its economy—than the restoration of a left-wing party acting on positive principles of progressive liberalism. Nor, it may be added, would anything so much encourage the friends of Britain abroad: if most of them have of late years been appalled by the defeatist restrictionism of socialist policy applied to foreign trade, few have ever been happy about the face that British Conservatism usually presents to the world. A retreat to liberalism in the Labour movement of Britain is a thought to conjure with, to quicken pulses and generate new hopes, throughout the free world.

There are good excuses for letting the wish father the thought. The conference at Margate last week certainly expressed a change that reflects greatly to the credit of those responsible for it. But what, in sober fact, is the change? There is no exaggeration in saying that a year ago Labour was failing in the first duty of an opposition. It could not be taken seriously as an alternative government. The left wing was making all the running, and its policies, domestic and external, had every mark of rashness, spite and irresponsibility. The

more moderate party leaders were, indeed, putting up some fight; but they themselves seemed to believe that they could retain control of the party machine only by fitting themselves to the mood of the rank-and-file and accepting the policies of the Left. To keep the Bevanites out of the whole party had to embrace Bevanism.

That, if it had been left to the politicians, is how things might stand now. But Mr Deakin and other trade union leaders said No to the sweeping measures of nationalisation that the Morecambe conference declared for last year. Mr Attlee and the politicians accordingly found their courage, or were driven to it, and this year's conference has registered their success. It has stabilised, for a time, a balance of power within the party. Mr Bevan and his friends are there as counter-weights to the union leaders, but it is nevertheless perfectly clear that the right wing of the party is on top. Labour policy is restored to the comparative moderation of 1950 and 1951. This, achieved despite all the leftward pulls to which an opposition is subject, is a very considerable triumph for the realists. While the divisions of opinion within the party remain real, the Margate conference has done much more than paper them over. It has established a truce and a compromise that have some chance of lasting not only through this Parliament but also through the next. And that, as political parties go, is not too bad.

★

All this is important and welcome, but is it really a movement to liberalism or, indeed, to any positive new outlook at all? It should be said that in spirit, in the emotive associations of its phrases rather in anything tangible, the new policy of the Labour party is in truth even less socialistic than the equally cautious programmes of 1950 and 1951. In the interval, disillusionment about state ownership has become stronger, while some sections of Labour opinion have grown more conscious of the virtues of private enterprise. But the result is to revive caution about further nationalisation, not to substitute a new economic doctrine for it. The Margate policy is to go back to 1950 by restoring the nationalisation of steel and road transport that the Conservatives are undoing. For the rest there is, in precise form, only water; but there is also, in place of the sugar and cement proposals of 1950, an intention to have some form of partial state ownership in some sections of the chemical and other industries. If it may fairly be said that socialist plans for continuously expanding the area of state ownership have been put on the shelf, they still weigh far too heavily on the Labour conscience for any active non-socialist policy to take their place.

In other matters the retreat from traditional socialist attitudes is less definite. On education, as is argued in another article in this issue, the cruder sort of egalitarianism colours a confused and probably very damaging set of ideas. Again, the party has committed itself to increasing all social security benefits every year if prices have risen, in order that their real value should

never be reduced. This would create a rigid first charge on the economy that hardly smacks of liberalism. Indeed, on social policy generally, on controls and foreign trade and financial policy, the "Challenge to Britain" echoes most of the traditional emotions and nostrums of the socialist Left.

This does not signify much. The policy statement is of the kind that can mean all things to all men. It need not prevent the practice of another Labour Government from being pretty cautious on most things besides nationalisation. The right wing has fought its battle on that particular issue, which is the most distinctively socialist; and, having won, it can, if it keeps the initiative, widen the area for caution at its discretion. This is the real nature of Labour's retreat. It is just a retreat, not a retreat to anything. The charitable way to put it is to say that Labour policy has become avowedly empirical. The party conference has in effect agreed not to tie the leaders' hands. Labour will now appeal to the electorate less on a specific programme than on a general promise to do its best in some vaguely radical direction. The next general election will be presented as a choice between cautious empiricists.

It is on this basis that the Labour party now has to be re-assessed. What would be the empirical policies of its leaders, as they have now established the balance of power among themselves, if they returned to office, say, next year? The evidence on which to judge is slight. The Labour party has turned to empiricism not because it wants to but because it cannot find anything else. It is not retreating to any prepared lines; it has no new doctrine. It has reached not liberalism but almost a vacuum. And with this the idealism that used to inspire the Labour movement, the constructive urge to right the wrongs of the underdog, has largely disappeared. This is the real price of Labour's disillusionment. And what, after the idealism, survives? Certainly not any clear conviction. It must regretfully be said that if there is one motive that remains to give life and consistency to Labour politics, it is envy: it is resentment against all those who have more than others for any reason.

That does not condemn Labour out of hand. It may also be said that the main impulse within the Conservative party is the desire to defend what privileges are still intact. The difference is that nowadays no one really feels that the defence of privilege is respectable, or even to any great extent practicable, and therefore the politicians do not try to do much about it. But it is still relatively easy to dress mere destructive spite in a cloak of high principle. The danger of the new empiricism on the Left is that it provides plenty of scope for spiteful policies to fill the vacuum, not from deliberate intent but for lack of anything else. It may be hoped that the party leaders who have won so great a victory for caution can also make themselves proof against such tendencies. But it will be difficult to believe so unless the new realism is quickly reflected in a more constructive policy in opposition.

Security for Russia

MR DULLES'S remarks on Tuesday about security guarantees to Russia have given the problem of peace a refreshing twist. The idea is not novel. It was not new when Sir Winston Churchill first gave it authoritative expression in his famous speech of May 11th, and since then a number of other voices have been raised in support of variants of the same general notion that, if peace is to be brought to Europe, it is not the western nations alone, but the Russians also who need to have their security assured. M. Maurice Schumann, the French Deputy Foreign Minister, blessed the idea in his speech to the General Assembly of the United Nations; Dr Adenauer, with all his new authority, has spoken in much the same sense; and Mr Adlai Stevenson, reporting on his world tour, commended it to his countrymen. But what lends the subject its new importance is the revelation that it is being taken seriously in Washington. Whether it is being taken seriously as a promising means to a genuine settlement is less certain. But if the Russians were to reject this approach as they have rejected so many others, there would be the alternative advantage of demonstrating that it is not after all American rigidity that blocks the way to peace—a demonstration to the urgent necessity of which American official eyes seem at last to be wide open.

The form that any such guarantee of Russian security could take is still quite vague, as Mr Dulles admitted. Sir Winston Churchill's suggestion of last May was of a Locarno-type treaty—that is, of a non-aggression pact between two or more neighbouring states countersigned and guaranteed by other powers. Dr Adenauer's version is that the European Defence Community, when it is constituted, should join with the United States, Britain and the Soviet Union in a set of mutual non-aggression guarantees, each party undertaking to come to the aid of any that is attacked. A variant of this that is apparently under examination in Washington is that there should be five parties to the treaty, America, Britain, France, Western Germany and Soviet Russia. Still another proposal, which is really to be regarded as an adjunct of any of the foregoing, is that there should be a demilitarised zone between East and West.

That minds are turning in this general direction is all to the good. It has long been clear that if the present period of tension between the great powers is to be brought to an end quickly and peacefully it can only be by some form of bargain between them, and a bargain cannot be struck without some advantage to both parties. Hitherto the difficulty has been to see what the West was prepared to offer. A bargain still seems a very long way off, but it is at least helpful that minds are beginning to turn to the contemplation of the fact that a bargain requires some give as well as take.

The new concern with Russian security is thus welcome on every count. But before optimism runs riot,

it is as well to realise that one formidable obstacle stands in the way. The various differing forms that a security proposal might take would each raise their special problems; but they all also share in one preliminary difficulty, which can be put in a single word—where? Every proposal of security—unless it is of the disembodied and futile Kellogg-Briand variety—comes down to a promise, backed by guarantees, not to send troops over a stated line drawn on a map. If Russia's security is to be guaranteed, where is the line?

The difficulty can be seen at its clearest in the proposal for a demilitarised zone. Where is it to be? Is it to include Western Germany? Surely not, for that would be to abandon the European Defence Community, and it is certain that neither the American nor the British nor the German Government would agree to that. It would be to accept after all the neutralisation of Germany against which so many diplomatic battles have been fought and so many notable victories won. But if the demilitarised zone is to be east of the Elbe, it is to be wholly in territory that is now held by the Soviet Army, and where is the gain to Soviet security in any such proposal?

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The same problem arises in only slightly less obvious form in the various proposals to guarantee frontiers. Which frontiers? Clearly the Russians are not likely to be interested in the offer to guarantee the western frontier of the Soviet Union itself, for the omission of all the satellites would seem to them to be tantamount to a confession that the western powers had designs on them. (What would Britain think if Russia guaranteed the inviolability of the shores of England but refused to give any guarantee to Holland, Belgium or France?) But once the argument turns to the question of guaranteeing any of the frontiers that the Red Army drew in Eastern Europe, it raises some very awkward questions indeed. Are the Western powers prepared to guarantee the frontier of the Communist Empire on the Elbe? Certainly no free German statesman will bring himself to admit the justice of the Oder-Neisse frontier, or even

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to abandon the hope of altering it; the most that he might conceivably promise is not to try to alter it by force, and it is questionable whether the Russians would put overmuch confidence in such a qualified undertaking. Even apart from the German attitude, which is central to the problem, the western powers themselves might well hesitate before they formally recognised the permanence of the Russian conquests in Eastern Europe. Is it in accordance with their professions of justice to acquiesce in the repression of whole nations which there is every reason to believe would escape from the Russian yoke if they could? Is it in their self-interest to accept as permanent so great an aggrandisement of so menacing a rival? Mr Dulles's talk, during last year's election, of "liberating" the satellites raised a howl of dissent in Europe. But can he—would even his critics—run so far to the other extreme as to ratify their enslavement? Yet without doing so can any security be

offered to the Russians that would seem to them attractive enough to form part of a general settlement?

This is not a question that anybody ought to rush into answering without deep thought. A real release from the nightmare in which the world is living would be worth a very heavy price indeed. But is a price that revolts conscience ever worth paying? In a democracy, can it ever be offered? For the moment, only two things can be said with any certainty. The first is that very little, if any, progress can be made with a sincere offer of security to Russia until the western nations have cleared their minds about what they propose for Eastern Europe. And the second is that nothing but good can result if public debate is now to be focused on this issue which has been consistently dodged in the West ever since the end of the war, and which lies very close to the centre of the problem of peace in Europe.

Second Thoughts on Education

IT is difficult to understand why the Labour Party is so frightened of its own educational achievements. They are both revolutionary and rewarding, and yet not a syllable was said in their praise in the Labour Party statement of policy "Challenge to Britain"; hardly a voice applauded them at the Labour conference at Margate last week. The Labour Party cannot claim to have been the sole agent of securing free secondary education for all in the Education Act of 1944, but it was responsible for the ambitious development plans for secondary education that are now maturing. It was a Labour minister who vastly extended the system of university awards. These revolutionary changes were unrecognised at Margate.

Fortunately, the conference overthrew the crassest of the proposals in "Challenge to Britain" for an educational counter-revolution, which would have abolished the grammar schools, kept all children together up to the school-leaving age, and then moved on all those who stayed at school after 15 into one class of high schools. In its place the conference accepted an amendment which reasserted the party's predilection for comprehensive schools within the framework of the existing system, and even added a new and illuminating argument in their favour:

Access to a variety of courses and opportunity to work alongside children of higher cultural standard may itself be an important educative factor at the secondary stage.

Compared with the proposals in "Challenge to Britain" even the comprehensive school is a reversion towards orthodoxy. And it was apparent from the temper of the conference and the speeches made that for some delegates even this was too radical. The critics of the comprehensive school secured a good hearing, and when

Miss Jennie Lee set out to attack Mr Gaitskell's suggestion that it would be a good thing to get working-class boys into the public schools (which is about as far removed from the comprehensive idea as can well be imagined) her criticism was ill received. Perhaps the tide is turning against excessive egalitarianism.

However this may be, the Labour party remains pledged to the comprehensive school. It is alarming that the party's executive committee, which was responsible for framing the policy statement of "Challenge to Britain," was willing not only to propose that the grammar school be submerged in the *omnium gatherum* of the comprehensive school but even to subscribe to the total extinction of advanced or grammar school teaching before the age of fifteen. All boys, however poor their parents, are now for the first time enjoying equal opportunities of a university education in direct competition with the public schools. Great imperfections still exist, but vigorous administrative action could extinguish many of them and even in eight years the prospects before the working-class child have become immeasurably brighter. Yet the system by which this has been achieved, much of it directly to the Labour party's credit, is to be swept away. Why?

The explanation is possibly to be found in the familiar fact that the world changes much more quickly than the human mind. Those members of the Labour party who now influence policy were educated thirty or forty years ago, either (exceptionally) at public schools or (more usually) at elementary schools. At that time the state secondary school could easily be overlooked by the former; and by the latter it tended to be regarded (and with some justification) as the preserve of the middle classes. Times but not persons have changed.

Furthermore, the influence of the middle-aged elementary school teachers on Labour party policy is strong, and these tend to harbour an inextinguishable prejudice against schools in which they were debarred from opportunities to teach and against the universities they were too poor to enter. To these pressures may be added the over-developed consciences of the party's intellectuals who, while straining every nerve to send their own children to expensive public schools, bend over backwards to support a troglodyte egalitarianism. It is hardly surprising that the Labour party's approach to education is more emotional than objective. In a year when, on the main issues of economic policy, the party was struggling back to realism and common sense, it was perhaps inevitable that emotionalism should boil over in the field of education. It may well have done the party's electoral prospects considerable harm, for it is precisely in what may be called the "grammar school class" that the floating voter is to be found in his heaviest concentration.

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The indignation that Labour's educational antics have aroused should not, however, be allowed to obscure the fact that the issues raised in the debate are real ones. There are serious defects in the educational system which call for careful study. If they cannot be remedied simply by ironing out all differences, they do nevertheless call for more careful treatment. One of the obvious defects of English education is the great divide between the public schools and the state schools, which splits one people into what Disraeli long ago called two nations. This is a state of affairs which exists hardly anywhere else on earth and the inhibitions to which it gives rise are unquestionably a source of weakness to the community. Another valid criticism is that levelled against the entrance examination to the grammar schools that is taken at or about 11 years old. It is wrong that so much in after life should be determined so absolutely by a child's performance on a single occasion at so early an age. And thirdly, it is an unfortunate fact that the ratio of grammar school places to the child population varies from perhaps 10 per cent in some areas to 30 or even 40 per cent in others, and that the opportunities open to a child are thus very unequal and depend on accidents of residence. In the immediate present this is a very real objection to the existing system of selecting children for grammar schools, but it does not lead irresistibly to the abolition of all grammar schools. It would be much simpler and cheaper to build more grammar schools in the ill-provided areas, or to experiment with comprehensive schools designed as such, particularly in districts that cannot fill a fair-sized grammar school.

The problem of the public schools is much more difficult to deal with. They may be an anachronism, but an anachronism that is very much alive. The length of the waiting lists, in spite of the crushingly high

burden on parents' pockets, is evidence of the esteem they enjoy, and it is pure fantasy to say that so many otherwise level-headed people will put themselves to so much trouble for reasons of snobbery. There is no doubt that the education the public schools provide is the best available; the record of university open scholarships is proof of this, if proof were needed. That this is coming to be more widely appreciated in the Labour party was shown at Margate. Not only were the resolutions which visualised the capture of the public schools or of their pupils by the state system withdrawn; Mr Deakin came out warmly in support of Mr Gaitskell's proposal that half of their places should be thrown open to competition, presumably at the public expense.

This clearly is the right direction of advance—a middle course between those who want to destroy the public schools and those who think they can survive for ever unchanged. Indeed, the obvious precedent exists in the universities. Two generations ago, Oxford and Cambridge were almost as completely the strongholds of the privileged classes as ever the public schools were. And yet a transformation has been effected that is as nearly complete as it has been nearly painless. With the public schools, as with the universities, the essential thing will be to preserve two freedoms: the freedom of these educational institutions to govern themselves judicially and independently, without dictation from elected authorities who cannot help but be ignorant of their nature and might easily be prejudiced; and the freedom of the parent to buy for his children, if he chooses to do so, an education better than the state provides.

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Both of these principles are recognised by the present relationship between the universities and the state, and there is no inherent reason why they should not equally be preserved in the gradual development of relations between the public schools and the state along the lines that Mr Gaitskell presumably (for his intentions were not made quite clear) envisages. There would be plenty of practical difficulties, some of which Miss Bacon herself pointed out. A system of selection which gives to a few children an education worth £350 a year at public expense is open to objections. The "creaming off" of the brightest children is not attractive to the local authorities, and the selection only of "problem children" is rejected by the public schools. And there is always the danger that public money might be used to bolster up second-rate schools which are hardly worth preserving. These are real obstacles, but they can surely be overcome on the one condition that the problem is approached in a constructive spirit of mutual respect. If Mr Gaitskell's spirit is typical of the Labour party, there are many far-sighted men in the public schools who will be ready to come half-way to meet the reformers. Unfortunately, the face that the party most usually presents is that of Miss Jennie Lee's unreasonable hostility and destructiveness. If that persists, the opposition will merely harden.

The problem of the examination at eleven plus resembles that of the public schools in one respect: its peculiar difficulty arises from the fact that social distinctions are created by educational decisions. And as the number of children who are affected is very much greater, it is unquestionably the more urgent of the two. In both cases, also, the outline of a constructive solution is the same—it is not to pretend that there is any merit in educational uniformity, but to remove, or at least lessen, the social consequences that follow from the drawing of quite proper educational distinctions. After all, even in a comprehensive school, there would have to be tests to separate the different “streams.” Educationists appear to be agreed that only about 20 per cent to 25 per cent of the school population can fully benefit from the type of education now provided in grammar schools. There are, in fact, many children in grammar schools now who would be happier elsewhere, and few children in the secondary modern schools in well-provided areas (to whose level the deficient areas should be progressively raised) who ought to be in grammar schools. Efforts to improve the selection methods should not be relaxed, but it would be madness to throw away the whole grammar school system because the selection is imperfect.

The whole controversy is really a matter of priorities.

Scandinavian Insularity

THE present condition of the Scandinavian countries cannot be regarded by their friends in the West as either strategically or politically reassuring. If this state of affairs has led to very little expression of disquiet, it is mainly for two reasons: first, preoccupation with the more obvious problems of Germany and France, and second, a habit of taking the northern countries for granted. Scandinavia's reputation for stability and restraint, and the normally unexciting course of its political life, involve the area in some danger of oblivion. In recent years, the rare incidents that have made it a temporary centre of interest have mostly been military ones, such as naval manoeuvres in the Baltic or the arrival of Polish aircraft on Bornholm. It is, indeed, the military planners who are most painfully conscious of the problems presented by Scandinavia; the recent visits to Denmark and Norway by General Gruenther and Field Marshal Montgomery, as well as the emphasis laid on the northern waters in current Nato exercises, bear witness to this.

Nato's concern over weaknesses in its northern sectors is understandable. When compared with the size of the geographical and physical task, the manpower and arms available for defence in the huge area between the North Cape and the Kiel Canal are clearly inadequate. There is room for differences of opinion whether small nations like Denmark and Norway could

The Labour party, in its hatred of real or supposed social differences, wishes to suppress for as long as possible the unquestionable fact that human beings are born with real differences in intellectual ability; it prefers a system of “equality” on one flat level to the system of “equality of opportunity” which it has itself largely created. Is it that equality of opportunity reveals all too early that children are not equal and that the possession of brains creates differences as great as those of wealth? Is it that the party of the common man wishes to deny the existence of the uncommon man? Yet the interest of the country is surely to select and educate those with the highest intellectual endowments, for which its educational system is already highly adapted. Very great progress has already been made in the last few years in raising the standards of education provided for those who are not selected for the grammar schools. It is not chimerical to suppose that if this rate of progress is maintained (especially if building becomes easier), “parity of esteem” will be reached within a generation—or at least a sufficient degree of it to take the edge off the social frustrations that now exist. Is it not far better to press on with this programme than in a fit of jealous impatience to destroy the main foundations of what has already been achieved in the transformation of English education?

make a substantially greater effort for their own defence. (Nato's third Scandinavian member, Iceland, is strictly non-combatant.) Individual geographical difficulties must be considered. Norway has to contend with great distances, a sparse and scattered population, and a single, exposed line of communication; Denmark, with the vulnerability of dozens of flat islands bunched within easy striking range of a potential attacker. But it is obvious that a further, artificial difficulty has been created by these two countries' reluctance to have any allied forces based on their territory.

The trend now is not towards, but away from, a solution of this problem. Whatever the precise result of next week's elections in Norway, that country's consistent exclusion of all possibility of Nato bases is the policy least likely to be affected. Meanwhile, the chances of allied air bases being established in Jutland have been sharply reduced by the return to power in Denmark last week of a Social Democratic government whose leader, Hr Hedtoft, declared on Tuesday that to accept bases was not expedient at present.

It would be going too far to see in this any clear movement in Scandinavia away from the essential aims of the Atlantic Pact. The two Social Democratic parties which took Norway and Denmark into the pact, and the right-wing and centre parties which have always sup-

ported it, still command the votes of an overwhelming majority of the two electorates. But some modification of mood may be detected. It must therefore be asked how far this limited, but hardly encouraging, trend reflects the impact on Scandinavia of the new tactics of the Soviet government.

Moscow's “new look” has undoubtedly made some mark in the north. It affected the Danish election campaign, and also—but less obviously—the Norwegian one, now reaching its quiet climax. Throughout Scandinavia, where the idea of a European army evokes little enthusiasm and the German Social Democrats have many contacts, belief that Russia is now more disposed towards a general settlement has gained ground. At the same time, it is noteworthy that Malenkov and Molotov have paid little direct attention to Scandinavia itself. The impressive, if empty, gestures of good will scattered in so many other directions by Stalin's successors have had no obvious counterpart in the north. Two interesting exceptions to this rule have been the hints that Scandinavians might be the first to benefit if Intourist facilities were restored in Russia, and the restoration of train-ferry services from Sweden to Berlin by way of the formerly prohibited Rügen island; but neither of these can be granted much significance.

Yet the negative character of the current Soviet attitude towards Scandinavia is interesting in itself. Stalin's postwar policy in this area embraced a series of truculent notes addressed by turns to Norway, Sweden and Denmark; the shooting down of Swedish aircraft over the open Baltic; repeated seizures of Danish and Swedish fishing vessels; demonstrations by the Soviet air force over Bornholm; intensive and often barely concealed espionage in Sweden; and the maintenance of a firm grasp on Finland, including the exaction of a far-reaching “mutual defence” treaty in 1948. Against such a background, the present lull has a significance of its own. It has, perhaps, made the greatest impression on the Finns, who were inclined to regard Stalin as better disposed towards them than other Soviet leaders, and learnt of his death with some unease; but the other Scandinavian countries, too, have taken the point.

Will this Baltic calm last? It is arguable, of course,

that the new masters in the Kremlin have been too busy with their many more urgent problems to turn their attention to an area where they have no immediate objectives to gain. Again, concessions to the Scandinavian countries are hardly a necessary part of Malenkov's plans. There is, moreover, little to concede in the area; Finland has conscientiously paid off its reparations, and these cannot, therefore, be now remitted, while the other northern nations have taken care to avoid embroilment with Russia at any point. It may be taken for granted that Moscow has never contemplated any such step as relinquishment of its new bases at Porkkala, near Helsinki, or Petsamo on the Norwegian frontier; gestures of good will are one thing, but strategic positions another, in Soviet eyes.

There is, however, good reason to suppose that Malenkov's inaction as regards Scandinavia represents a deliberate policy, and an intelligent one. The Kremlin may well have concluded that Scandinavians as a whole are best pleased when they are left alone. For, although Norway, Sweden and Denmark are all geographically linked with the continent of Europe, their peoples are by instinct truer islanders than the British, whose traditions are those of world-wide involvement. The prominence of individual Scandinavians in international enterprises—as mediators and secretaries-general for Uno, in Red Cross work and in succouring prisoners of war—is less a contradiction than a natural personal reaction against this basic



insularity.

The Russian rulers have found that cat and mouse tactics—or gestures made alternately with the olive branch and the hydrogen bomb—work effectively upon the neurotic type of neutralism found in central and western Europe, which springs from the weariness of peoples repeatedly scourged by wars. But Scandinavian insularity is a rather different thing. Many of the great wars that have ravaged Europe have left the northern peoples unscathed. Their concepts of neutrality date not from the atomic age but from that of Florence Nightingale and Henry Dunant, an age when a dedicated withdrawal from the power struggle was a practical as well as a pious aim. Today, however, the nightmare of involvement into which Hitler plunged them in 1940 has been perpetuated by the appearance along the Baltic

coasts, as far west as the outskirts of Lübeck, of a vastly increased Russian military power. The result is a psychological conflict, not, as in other countries, between traditional patriotism and a new neutralism, but between traditional pacifism and a new realisation of danger. The extent to which tradition has been rejected may be seen not only in the entry of Norway and Denmark into the Atlantic Pact, but also in the vigorous measures taken by neutral Sweden for its own defence.

This conflict cuts across party lines. While the Conservative parties in all three countries are the most vocal champions of defence and alignment with the West, it was Social Democratic governments that led Norway and Denmark into Nato and that, in these countries as in Sweden, introduced the burdens of rearmament to their peoples. Criticism of these new-fangled policies has largely come, as could be expected, from groups and factions that are conservatively minded in the broad sense of the term; such groups can be found at both ends of the party spectrum, but are naturally stronger in rural areas. In terms of voting strength, they represent only small minorities. But in the present balance of political forces in Scandinavia, there is an unhappy tendency for small parties of a parochial character to acquire decisive positions. In Sweden, the Social Democrats have lately become more dependent on the good will of their coalition partners, the Farmers; in Denmark, the isolationist Radicals and the single-taxers have now come to hold the balance between the larger parties; and even in Norway the long established Labour

government, which faces the loss of several seats in next week's elections, may soon have to cultivate the good will of similar factions.

Parochialism and innate conservatism, which lurk so close beneath Scandinavia's social-democratic and culturally modernistic surface, provide no breeding ground for Communism as such, and indeed account for a good deal of the steadiness with which the northern countries have each responded to Soviet bluff and bluster. But they are inevitably hostile to any far-sighted foreign policy involving definite commitments. If the new rulers of Russia now deliberately leave Scandinavia in uninterrupted peace, they will undoubtedly make a strong appeal to some basic elements among the northern peoples. But it is scarcely possible to argue that the only course for the West is to follow Malenkov's example of masterly inaction. An ill-defended Scandinavia means an exposed flank for the whole Atlantic partnership—a flank, moreover, of peculiar concern to Britain. The denial to a potential enemy of, for example, submarine bases on the Norwegian coast, is of as much strategic consequence as many defensive undertakings further south. Logic and discretion would seem, then, to point the major Atlantic partners, and particularly Britain, towards a policy not of didactic pressure upon the northern countries as a whole, but of sympathetic support for those Scandinavian leaders who are themselves struggling to hold their fellow countrymen on the new and difficult road they have undertaken. This is a task that cannot be left to military personalities alone.

Notes of the Week

Indians in No Man's Land

GENERAL THORAT'S Indian Army contingent in Korea is now not only physically sited in the demilitarised zone along the former battlefield; it is also politically in no man's land, exposed to crossfire from both north and south. So, too, is its directing authority, the five-nation commission of which General Thimayya is chairman. There is a good deal of indignation in India at the seeming failure of the United Nations to support the two generals against the South Korean accusations provoked by the Indian shooting of riotous prisoners; and Mr Rhee's threats to drive the Indian force out have led Delhi to drop heavy hints that it may have to withdraw it.

A policeman's lot is not, and is never likely to be, a happy one. Even India's friends are not altogether sorry to see hard facts of this kind being brought home to Mr

Nehru and his colleagues. Excusable irritation has been caused throughout the hard and weary Korean campaign by the tendency of some Indian spokesmen to represent their country's inaction as a sign of superior virtue. It was unfortunate for Mr Krishna Menon that the shooting of prisoners occurred just after he had lectured the UN Assembly about the "glorious" role of India's "unarmed army" in Korea, which, he said, was "full of lessons for others who have to resolve political problems."

But to say this is not to criticise General Thorat's men. On the contrary, all reports agree that in the first stages of their difficult undertaking they have done extremely well. In this matter of the prisoners, neither the Communists nor the South Koreans have the least intention of playing fair, and it is obvious that both have an interest in damaging the Indians' relations with the UN Command. Further trials and tribulations undoubtedly await the two parties which, in different capacities, have taken on the policeman's role in Korea; and both will need to combine

firmness with patience and a degree of statesmanship if they are to complete the experiment in combining peace with justice on which they have embarked.

Moscow Misses a Date

MOSCOW, once so punctilious about every sort of commemoration, has been conspicuously silent this week about the first anniversary of the 19th All-Union Congress of the Communist party. It was just a year ago that Stalin made his swan song, amid the thunderous applause of the party delegates. On the eve of the congress, his pamphlet on "Economic Problems" was published and hailed immediately as a work of genius and a vital contribution to Marxist thinking. On the basis of this pamphlet, a textbook of political economy was to be written by February of this year. Nothing more has been heard of this textbook since Stalin's death. "Economic Problems" is no longer quoted as revolutionising all branches of science, and some of its conclusions are in fact indirectly criticised. To complete the picture, the anniversary is now recalled by the Rumanian paper *Scanteia* and the Cominform journal, but apparently ignored by *Pravda* and *Izvestia*.

There are many reasons for Moscow's reluctance to refresh memories. The cult of Stalin is no longer the supreme religion. True, it was last year that Malenkov addressed the congress for the first time as heir-apparent, but his picture of the Soviet economy then was much more uncritical than the one he recently presented to the Supreme Soviet. Besides, many of the works of last year's congress have already been undone; for example, the fabric of party leadership with a large presidium at its head was shattered immediately after Stalin's death.

Many of the actors who played a part in the congress have by now been swept from the Soviet stage. Soon after Stalin's death the minister of security, Ignatiev, was expelled from the party secretariat, and three other important members of the Central Committee—the first secretaries of the party in Georgia, Ukraine and Azerbaijan—fell into disgrace. The fall of Beria has brought about a further purge of important personalities, the full extent of which cannot yet be assessed. With such a toll of victims in its mind, the party may understandably look not backward but forward to a new congress at which gaps in leadership could be filled and a new hierarchy crystallised. Beria's fall, however, did not end the struggle for power among the leaders, and until one of the rival groups emerges victorious it may be difficult to apply the party's rubber stamp.

Canter for Conservatives

MR EDEN'S return to the Foreign Office came just in time to relieve the annual Conservative conference from distracting uncertainty about the immediate future of the leadership. It removed the last doubt about Sir Winston Churchill's intention to carry on at 10, Downing Street for a while longer, and it dispelled any likelihood of a

General Election before next spring. The more thoughtful Conservatives must realise that stiff obstacles have merely been moved a little further down the course, but for the present a canter becomes possible; with the political scene at least set for the winter, the annual conference has been able to discuss Government policy with more sense of purpose than seemed likely in the rumour-ridden atmosphere of the past few weeks.

Conservatives in conference always adopt a more trusting attitude than their opponents and criticism of the official policy is further dispelled by judicious selection of the motions for discussion. But the conference usually manages to drop a few hints and this year it gave notice that many Conservatives intend to keep the Government up to scratch over competitive television; that they have sadly realised that there is more to solving the housing problem than building 300,000 a year; and that they are nervous about coal and agriculture (as well they might be). On foreign affairs the conference showed itself suspicious of the Government's intentions over Suez, and such fears can hardly have been allayed when Lord Salisbury used arguments that would justify a British withdrawal. As the man in charge of the Foreign Office for the past three months, Lord Salisbury spoke on recent diplomatic events, leaving Mr Eden free to mark his return to public life with a more personal speech. In this he explained that he felt that his experience of foreign affairs made it essential for him to return to the Foreign Office at so crucial a time, rather than take up a less exacting role which some people had suggested. As the role usually proposed was that of Leader of the House of Commons, this description is a little surprising.

But the conference is inevitably overshadowed by the prospect of Sir Winston Churchill's speech on the last afternoon. The party leader's address always forms rather a top-heavy climax to Conservative conferences, and this year circumstances add special significance to the event. Not only is Sir Winston making his first public speech since his illness—an emotional prospect in itself—but he is bound to attempt in some way to recapture or to replace the spirit of his speech on May 11th. It seems to be very widely believed that, in Sir Winston's absence, the rump of the Cabinet failed to take a diplomatic opportunity. Unjustified though this belief may be, it certainly lays upon Sir Winston the main burden of restoring public confidence in the Government.

TUC Tomboy

THIS time Mr Tom O'Brien has raised a storm in more than a teacup, and the end of it is by no means in sight. The details of the episode, which began at Margate last week, have provided some good detective-story fun; but the issues that it has brought into the open are real and important.

The main facts are these. On the fourth day of the Labour party conference Mr O'Brien, in the course of pronouncing the fraternal greetings of the TUC, declared that there should be a "candid examination" of the association between the Labour party and the TUC. He did not make it clear whether he meant that the association might be looser or tighter. But afterwards he discussed the question with

a representative of the *Manchester Guardian*. According to the report the following day, Mr O'Brien believed that the General Council of the TUC would agree with him that the time had come to separate the activities of the TUC from those of the party without destroying the underlying unity of the Labour movement. He himself apparently thought that the unions should withdraw from membership of the party; they might make a block grant to it, through the TUC and on a year to year basis, and a permanent joint committee of TUC and party should be created.

The several and various opinions that Mr O'Brien has since expressed about this report have not created much doubt that it conveyed what a reasonable man would have understood Mr O'Brien to be saying in the interview. In the meantime, Mr Deakin had been given special leave to address the Labour party conference on its last day and make a thunderous denunciation of Mr O'Brien's reported views. This showed the delegates that Mr Deakin's weight was not directed solidly against the left-wing alone, and it helped to send them home in a warm glow of unity. But there is more to it than that. Whatever Mr O'Brien said, or was understood to say, reflected the thoughts of men more discreet and more influential in the trade union movement. Two years of Tory government and of Bevanism in the Labour party have produced two distinct reactions among the right-wing union leaders. There are those, somewhat despairing of the Labour party and conscious of the industrial advantages of getting on with the Tories, who would like to weaken or break the political link. There are others, Mr Deakin apparently among them, who are more bothered about combating Bevanism than about getting on with the Tories. They share their colleagues' dislike of socialist policy, but the moral for them is that the unions must stay within the Labour movement in order to keep control of the politicians. This is pretty certainly the majority view, but the knowledge that some union leaders are inclined to draw back from the party struggle may have an important bearing on Labour politics.

Facts Against More Pay

THE Engineering Employers' Federation has turned down the unions' claim for a 15 per cent rise that would add about £125 million to the industry's annual costs. The rejection was what everyone expected, but it has a novel—and welcome—feature. Too often in these matters a flat negative comes first and explanation, if at all, long after. On this occasion the engineering employers have immediately set out their reasons for rejection, at length and persuasively.

That was not difficult to do. The engineers' claim is an attempt to carry the postwar habit of annual wage increases—their last one was obtained eleven months ago—into greatly changed conditions. Since last year's claim was considered, the index of retail prices has risen comparatively little (by 4.4 per cent) while the average earnings of men in the industry are estimated to have increased by 6.4 per cent. This means not only that the claim cannot be justified as being necessary to prevent real wages from falling. It also means that the extra purchasing power in the hands of the engineers would have

a more directly inflationary effect than that of previous wage increases which were simply chasing prices.

The other half of the employers' case is still more important. They say that for some time new orders received by engineering firms have been falling below the current level of output. The actual volume of orders, in the year ended last May, was a quarter less than it had been in the previous twelve months. A figure of this kind cannot, it should be recognised, be altogether convincing. The engineering industry is a hard one to generalise about, and statistics of orders are not the most reliable variety. No doubt the unions will argue on this and other points, but about the broad truth of the employers' contention there cannot be any serious doubt. The tide of demand is no longer running so strongly that the engineering industry can stand either an increase in its costs or a squeezing of its profits that would remove the capital needed for re-equipment.

Shuffle and Cut in Capetown

AFTER a bewildering final week of move and counter-move, the South African parliament has risen and will not meet again until January. Dr Malan's last moves took everybody by surprise. Without warning, he suddenly decided temporarily to withdraw his Bill for the reconstruction of the Supreme Court, and introduced instead a new shortened version of the Bill to remove the Cape Coloured voters from the common roll. A joint sitting of both houses of parliament last Thursday gave it a first reading, and during the course of the second reading it was, on the government's motion, remitted for study during the vacation to a select committee of parliament. The United Party opposition, though voting against the Bill in the first reading, voted in favour of the select committee. Unhappily, the country cannot look forward to even a temporary lull in the political conflict, since the scene now shifts to the inner councils of both the main parliamentary parties, where the leadership of both Dr Malan and Mr Strauss is in question.

Dr Malan's adroit last-minute manoeuvre undoubtedly turned the tables on the opposition; but he may live to regret his temporary triumph. It is now clear that there are two factions in the government party. The one favoured riding roughshod over the niceties of ethics and constitutional law; the other, more cautious, was afraid of the long-term effect of any revolutionary changes. By yielding to the opposition's main demand for a select committee Dr Malan has deeply offended the extremist wing. A struggle for power within the Nationalist Party now seems likely, and the prime minister will have to make a heavy call on the party's loyalty.

The United Party is even more divided. By being manoeuvred into voting in favour of the select committee, it has been made to appear as though it supports the government's proposals, though of course a dissenting minority report will in all probability be made by the opposition members. The challenge to Mr Strauss comes from two directions: from those who despise his personal leadership, and believe that the party has been made to look silly simply because he has bungled things; and from the

"liberals," who want the party to make an unequivocal stand on the colour issue. It seems impossible that the party can remain united much longer. For throughout this whole distasteful chapter of South African political history, one fact stands out with crystal clarity: in racial polemics it is very difficult to find a middle road.

America Still Aids Europe

WHENEVER European economic experts meet nowadays they tend to bask in a glow of self-satisfaction at the progress made toward closing the dollar gap. While the improvement in the past year is undeniable, it is sometimes overlooked that in one form or another most European countries are still receiving a substantial amount of American help, without which the picture would not look so rosy.

In the year ending June, 1953, Western Europe received \$1.4 billion worth of goods in the form of "defence support and economic aid." This kind of assistance is now rapidly being replaced by offshore procurement—the purchase for dollars of military equipment produced by West European firms. During the same period, the US Services have signed \$1.5 billion worth of contracts with European producers, as opposed to only \$600 million during the previous year. Of the latest total, France has again been awarded the largest share of contracts—some \$693 million; Britain runs a close second with \$460 million. While Europe does not receive immediately the total sums involved, dollars in the form of "progress payments" start to flow as soon as production gets under way.

A further source of dollars for Western Europe is provided by the expenditure of American forces, and there is still another important transfer of dollars through American contributions to such Nato projects as the building of airfields. Together, these have totalled at least \$500 million in the past year.

A tally of the direct flow of dollars through these channels, however, does not tell the whole story. In addition, the United States has sent to Europe within the past year alone nearly \$3 billion worth of military equipment manufactured in America. The time for complacency will come when Western Europe is able to do without aid and without special facilities for earning dollars, which now add up to a grand total of over \$6 billion a year.

Lesson for Colombo Planners

THE fifth meeting of the consultative committee of the Colombo Plan is now taking place in Delhi. For the past ten days officials have been clearing the ground for the ministers who will assemble next week. Their main task will be to review the Plan's progress in this its third year; by next summer it will in fact be nearing the half-way mark in the original six-year span. The ministers will also consider the work of the £8 million Technical Co-operation Scheme, which is somewhat behind in its spending; under

this scheme Britain has sent 80 experts of various kinds to South-East Asia during the past two years, and has provided training facilities in this country for 420 Asian students.

The chief, and indeed dominating, economic development which has affected all the Colombo Plan countries during the past year has been the decline in commodity prices following the collapse of the Korean boom. This fall has made nonsense of some of the original estimates on which planning was based and has already caused a slowing down of the Colombo Plan programme. It has meant that countries like Ceylon, which seemed to be able to finance a considerable part of their projected investment themselves, cannot now do so. On the one hand, revenues based on export duties and on the taxation of staple industries which depend on the export of primary goods have fallen. And, on the other, there has been a sharp drop in earnings of foreign exchange. There is thus neither the internal capital nor the foreign currency to buy some of the essential requirements of the investment programme. This is the greater pity in that it has shifted the emphasis from the difficulty of securing actual supplies of capital equipment to the difficulty of financing its purchase, at a time when, for the first time since the war, much of that equipment itself is now becoming available with reasonable delivery dates and from non-dollar sources.

These setbacks do not affect the food producing countries so much; Burma and Siam can still sell rice at prices which, although at last dropping a little from their peak levels, are high. But for the area as a whole the net effect has been a vivid lesson in the dangers of loose planning. The Colombo Plan was launched at a moment when many of the countries concerned had only recently won their independence. Inexperience and over-optimism were common to almost every government in the area. The problem now, however, is to restore the original momentum. And that almost certainly means an increase in the aid being given by other countries, over and above the original estimates, if this great scheme is to be fully successful.

Troops for British Guiana

IN many respects the crisis in British Guiana is familiar. A new constitution, which came into force earlier this year, gave the colony universal suffrage and a considerable measure of responsible government, leaving, however, the usual reserved powers in the hands of the Governor. At the first general election held under this constitution an extreme left-wing party—the People's Progressive Party—won 18 out of the 24 elected seats and thereupon took the six portfolios in the Executive Council allotted to elected members of the House of Assembly. Hardly was it elected when the party's leaders began to press for full self-government. In particular, they object to the Governor's reserved powers and to the upper house or State Council, which is intended to act as a check on irresponsible legislation and is largely composed of members nominated by the Governor at his discretion.

There is nothing novel in all this. An inexperienced electorate almost inevitably returns to power the best organised party, especially when that party can espouse the cause not only of full self-government, but also of better living

conditions for the people, who in British Guiana are often as wretchedly housed as anywhere in the Caribbean. Nor is the immediate cause of the crisis one that by itself justifies the dispatch of naval and military forces: the ministers are boycotting the Assembly because the Speaker refused to allow a Bill, compelling employers to recognise specific trade unions, to be passed through all its stages in a day. The unusual—and disturbing—feature of the crisis is that it has been officially declared to be the result of Communist intrigue. For some time Communist propaganda has been pouring into the colony. The leaders of the People's Progressive party—including Dr Jagan, the Prime Minister, and his American wife, and another minister—have avowed Communist sympathies. The recent strike on the sugar estates, though ostensibly over trade union recognition, was undoubtedly fostered by ministers themselves and provoked the State Council to record a resolution regretting their action as "the negation of good and responsible democratic government."

This threat of a Communist coup in a British colony—if such is indeed the case—sets a difficult problem for the British Government. Caution would seem to be the wisest course. The Jagans must realise that British Guiana needs foreign capital for development, which will not be forthcoming to a Communist state. The Government would, therefore, be wise to refrain from any drastic step, such as revoking the constitution, that might rally people to the support of the Communists. There is a danger that even the precautionary movement of troops, in case disorder breaks out, will have just that effect.

Twelve Men and the Vote

THE Government is in a dilemma over the university vote, and the pamphlet* issued this week by the Bow Group (an independent research organisation of young Conservatives) may be looked at eagerly as suggesting a way out. The election pledge to restore the twelve university members to the House of Commons, or some of them, is repeated from time to time, but it is hard to see how it can be done, at least with any grace. When Parliamentary majorities may be counted in single figures the university members returned to a new Parliament might well decide a Government's victory or defeat. In those circumstances few politicians will argue the case on its merits or expose themselves to obvious charges of rigging the constitution.

The abolition of the university seats in 1949 was wrong on many counts; but restoration is not the simple matter of cancelling a minus with a plus that some Conservatives would like to think. The value of the university members lay precisely in their being to some extent outside the political battle, in their freedom to act without an eye always on the electorate. But restored university members would be a continual bone of contention, liable to be voted in or out of the House, like the old people in the weather machines, with every change in the political climate. It would be bad for the House and bad for them; forced into the arms of one of the two big parties, they could not maintain the element of independence that was their chief

* "The University Vote." By Colin Jones. 1s.

virtue. By linking the future of university members to the Conservatives, the Labour party has in truth made out half a case for itself.

The Bow Group's way over this hurdle amounts to attaching it to a slightly higher one. The Government is not only pledged to restore the university vote; it also wants to reform the House of Lords. Could not two birds be killed with one stone by bringing back the university members, but sending them to an upper house partly reconstituted on corporate or functional lines? Admittedly, this solution sidetracks one of the main issues, which is whether some independent members can be restored where they are most needed, in the House of Commons. But it is probably necessary to recognise that this cause is lost. The voice of the universities could suitably be heard in a second chamber. The proposal is sensible but for one difficulty: all-party agreement on Lords reform is just as hard to get as on the lesser issue.

Taking Work to Miners

THE Lancashire coalfield is small, employing about 51,000 men, and costly to work. But it occupies an important place in the economic life of parts of the country. Several communities are wholly dependent on coal, and more are jointly dependent on coal and textiles. Fears of renewed depression in these basic industries are real in Lancashire, and it is natural that in its new pamphlet* the county's Industrial Development Association should carefully scrutinise the plans of the National Coal Board.

These plans, covering the next twelve years, in fact call for only a small decline—perhaps, indeed, too small—in the coalfield's output. But employment in the mines is expected to fall by a quarter, with improving productivity. And this has to be viewed against a high rate of natural population increase in the coalfield. Clearly something should be done. Part of the coalfield is already a development area, but the association is not satisfied with present progress. Instead of sporadic assistance, it wants the Government to secure a steady flow of industry into all parts of the coalfield. This is surely to ask for too much. It is true that the boundaries of development areas are somewhat arbitrary and a more flexible system is desirable. But it cannot be right to prop up every mining community that loses its original function, irrespective of its suitability for other industries. The most that public policy can do in many such cases—and it is a great deal—is to alleviate the inevitable process of migration.

The total amount of public aid to decaying areas cannot be unlimited, and it loses effectiveness if it is too widely spread. It should be concentrated where it will do most good, economically as well as socially. In Lancashire, such rehabilitation needs to be tied in closely with the planning authorities' schemes (which the association's pamphlet does not mention) for dispersing people from the overcrowded areas of Manchester and Merseyside, and with linked proposals for improving transport and social facilities. What is required is the choice of a number of key places, for which some suitable sites exist on the coalfield, where new industry would be encouraged to provide work both for the overspill from the great cities and for displaced workers

* "The Lancashire Coalfield." Lancashire and Merseyside Industrial Development Association. 6d.

from coal or other industries. As yet there is no integrated plan for Lancashire, and the Board of Trade, the local authorities and (seemingly) industrialists go on thinking in separate compartments.

Troubles in Schumania

TRADE in steel across the borders of the six countries which make up the European Coal-Steel Community is not moving as freely as the architects intended. In fact, with few exceptions, trade has congealed into much the same pattern as existed five months ago before the common market for steel started operating. This situation was clearly revealed last week in an admonitory statement delivered by a member of the High Authority to the Advisory Council.

The spokesman noted that, when the common market first opened, prices had been fixed not independently by individual firms but by mutual agreement between them. Such behaviour was perhaps to be expected at the outset of a new experiment, but it was disturbing to find that no change had since occurred. There seemed to be an almost total absence of the competitive instinct. Price lists had been changed on only two occasions, and both adjustments took place only after agreement on a nation-wide basis. It was true, however, that in some isolated instances the consumer of steel had benefited because of the geographical accident of finding himself nearer one of the new basing points than to his former source of supply; where this had occurred the traditional supplier usually absorbed the difference, as the Treaty encourages him to do.

Part of the producers' timidity undoubtedly stems from the fear that, with the present stagnation of demand, any price reductions may precipitate a price war. The High Authority constantly reminds its charges that it is fully empowered to deal with any such crisis, but mere words may not induce them to rely on the High Authority and to play the game. For this reason, no doubt, M. Monnet and his colleagues have hinted at the use of more effective weapons. They will, for example, make a searching investigation of producers' organisations, and they are considering the possibility of a large increase in the number of basing points.

The High Authority has one further problem on its hands. Some producers and member countries are anxious to revert to discrimination, particularly where it would help a steel-using industry working for the export market. In an ideal world such indirect subsidies for dumping would be banned; but, looking at the position realistically, the High Authority is trying to work out means by which the element of discrimination, where the Community itself is concerned, can be reduced to a minimum.

Triangles for Finns?

FINLAND has asked the British Government to explore the possibilities of a triangular trade agreement between the two countries and the Soviet Union. It is probably no coincidence that this approach, and a similar one to France, come at a time when a Finnish delegation is in Moscow to

negotiate a new trade agreement. Perhaps it is also possible to detect the hand of Mr Myrdal, the secretary of the United Nations Economic Commission for Europe, whose enthusiasm for tripartite deals is well known.

Finland's interest in such an arrangement is obvious: in trading with Russia it has built up a large surplus of inconvertible roubles. From Britain's point of view, there is the possibility of expanding trade with both the Finns and the Russians, although, as both countries are in the sterling transferable account, it is not really necessary to enter into any new formal agreement. But it is not easy to see what the Russians stand to get out of a triangular agreement. The only explanation is that they are thinking of the undesirable appearance of forcing the Finns to extend credits to them.

The proposal is interesting in that it reveals something more of the Soviet Union's foreign trade policy. It is, for instance, further evidence of the Russians' shortage of sterling, for the whole transaction would be unnecessary if they were able to pay Finland in a convertible currency, or if they could supply the Finns with the quantities and qualities of goods they want. The Finns, for example, have had to buy much more wheat than they need, and when they sold this to the West—at a loss—the Russians put their foot down. Neither of these Finnish experiences is encouraging to those advocates of increased east-west trade who believe that Russia could provide Britain with more varied supplies at competitive prices.

Mau Mau in the Capital

THE recent outburst of terrorism in Nairobi is at least in part a reflection of the success of the government's campaign against Mau Mau elsewhere. Mountain life has been made increasingly harsh for the Mau Mau gangs, and Nairobi offered what looked like easier ground. Nevertheless the fact remains that after more than twelve months a small group of rebels are still able to strike fear into the African population of Kenya's capital, to the extent of forcing them to collective acts of non-co-operation. This is not a situation to encourage complacency.

The police and the Inniskillin Fusiliers are now engaged in an ambitious programme of clearing Nairobi of all its drifting population. Between 15,000 and 20,000 Kikuyu—or nearly one-fifth of the total inhabitants—are being rounded up and returned to the already overcrowded reserves—a process described by Mr Timmerman, chief of the Nairobi police, as "blowing away the chaff, so that we can get down to the Mau Mau terrorists." The reputed leader of the Mau Mau gangs in Nairobi has already been captured together with many other suspects; and Mr Mathu, the leader of the Africans in the Kenya legislature, has called it the best thing that has happened since the emergency started. Lawlessness had been increasing in Nairobi for some time before the Mau Mau infiltration began and drastic measures were needed to restore order.

Yet these massive forced migrations, with all the misery involved, underline the tragedy of unemployment and overcrowding which will have to be eliminated before peace comes back to Kenya. This week in the Kenya legislature the Member for Finance showed how seriously the emer-

agency has affected the colony's economy. The deficit on this year's budget will run to nearly £2 million, and though expenditure next year is bound to stay near its present level, revenue will drop. Higher taxation may choke off the foreign capital so badly needed to develop the colony and provide employment for Africans crowded out from the land. But without more revenue the programmes for rehousing and land clearance cannot be effectively carried out. Mr Attlee has said that there is now a chance of an all-party parliamentary delegation going to Kenya to look into things on the spot. If Great Britain is to be asked for financial help the time for such a delegation has certainly arrived.

Racial Politics in Rhodesia

THE recent statements by leaders of the Confederate party in Rhodesia, which have made clear the party's *apartheid* policy, have had one good effect. They have stimulated the Federal party to greater forthrightness. It is true that the statement issued on Monday came from the action committee of the Federal party in Northern Rhodesia; it does not necessarily have the endorsement of Sir Godfrey Huggins, the party's leader. But it is none the less welcome. It denounces strongly the policy of the Confederates, which it declares to be "morally, if not legally, in conflict with the federal constitution," as well as reactionary, economically unsound, quite impracticable, and likely to lead to a "racial clash, where justice and moderation will not be on the side of the European."

The statement did not, it is true, contain anything new or inspiring about the Federal party's own attitude towards partnership, which merely reaffirms that the door to political advancement will not be closed to Africans who conform to civilised standards. But by appealing to the electorate's sense of responsibility, and by recognising that the federal scheme is a grave experiment "in statecraft and in human relationships," it attempted to put the coming federal elections on a higher plane than has been apparent hitherto.

The speech made in Lusaka at the weekend by Mr Dendy Young, leader of the Confederates, was a sharp contrast. He went so far as to attack Sir Roy Welensky for undertaking the recent talks on Northern Rhodesian constitutional reform without consulting the other members of the federation; this, he said, resulted in increased representation being given to the Africans. Yet the political advancement of the two protectorates remains within the control of the Colonial Office and outside the federal sphere. Mr Dendy Young has, in fact, shown himself and his party to be completely out of sympathy with the spirit of the federal constitution. People in this country can only hope that the electorate of Central Africa will not be persuaded by them.

Clearing the Air

THE London County Council is soon to consider whether it can establish a smokeless zone in the capital; such moves are already gathering force in many industrial cities. The lessons of the great fog that muffled London last winter have gone home. That fog attracted less comment than,

say, the flood disaster this spring, but it cost far more in life. Four thousand people died, and losses to industry and commerce must have been considerable.

At its annual conference last week the National Smoke Abatement Society held its own medical post-mortem on the London fog. Disturbingly little is known about the effect of smoke and fog on the human body. Most of those who actually died last December were either very old or very young, and hardly any were completely fit; their deaths were mostly recorded under such headings as bronchitis or pneumonia. But the fog probably made invalids of many more. Recent experiments in the United States seem to show that the dangerous effects are due to the combined action of smoke particles and sulphur acids; the particles act as carriers and take the acids deep into the lungs.

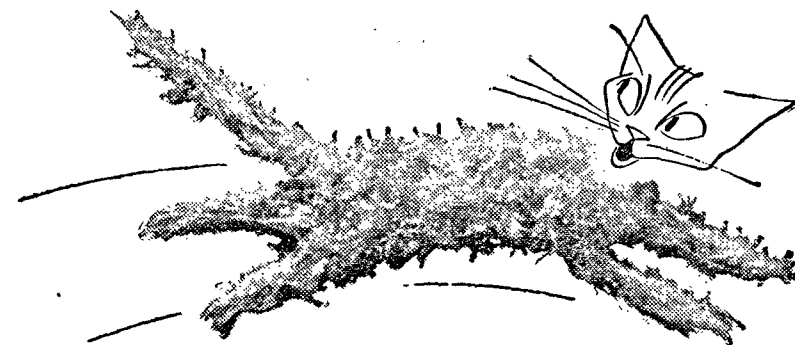
The conference got down to brass tacks when it began to discuss not cure but prevention. Much industrial smoke could be prevented by more efficient stoking methods which would at the same time reduce fuel consumption. But the problem is largely one of producing sufficient quantities of solid smokeless fuels, and of persuading consumers to use them. Industry uses most of the 37 million tons at present produced annually, and only a fraction—5 million tons—goes to the domestic grates that produce half the country's smoke. At least another 10 million tons must be produced and sold before smoke pollution disappears from the worst industrial areas. At the best, this will take a long time; it will not be achieved by incantations about a national fuel policy.

In Defence of the Right

The critical moment long foreseen has arrived at last. The Russians are in force on one bank of the Danube—the Turks on the other. . . . It is, therefore, peculiarly important to look the matter steadily and closely in the face, so that if matters come to the worst and we must fight we may clearly understand for what we pay our money and for what we sacrifice our men. And, first, we are not fighting to uphold an Infidel dominion. We are not espousing the cause of Mahometans against Christians. . . . We can have no preference for the professors of a faith which, theoretically beautiful as in many points it unquestionably is, is yet widely discrepant from our own. We can have no close or native sympathies with a race whose traditions, whose tastes, whose habits, whose pursuits are the very opposite of ours. They are languid and lethargic: we are boiling over with life and energy. . . . They place the *summa felicitas* in sublime inaction: we in ceaseless and pushing progress. . . . It is against the nature of things that we should have any personal predilection for the Turks. But they are our allies, we are bound to sacred duties towards them by solemn European treaties, bound to aid them; they are the victims of oppression, and we are bound to see them righted. We interpose here, not because we prefer Mahometanism to even a corrupt and degrading form of Christianity, but because we prefer to the skeleton of either creed those eternal principles of duty, equity, and right which lie at the root of every religion, and are of prior and paramount obligation to any sectarian claims; . . . and because when powerful nations stand tamely by, and see wrong perpetrated and might abused, they render themselves accessories and participators in the guilt.

The Economist

October 8, 1853



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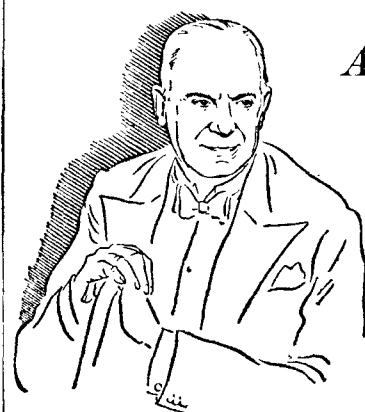
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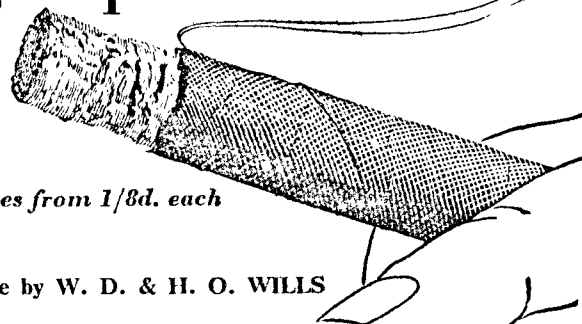


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Letters to the Editor

Federal Politics in Central Africa

SIR—I wish to refer to the article
appearing on page 38 of the issue of *The
Economist* dated October 3rd, in which
you state that the Confederate party
leader, Mr J. Dendy Young, is an
advocate and a former cabinet minister
in Sir Godfrey Huggins's government.

May I point out that Mr J. R. Dendy
Young has, in fact, never been a cabinet
minister in Sir Godfrey Huggins's
government. He is one of the leading
members of the Rhodesian Bar and is a
Queen's Counsel. He was elected a
United Party member of Parliament on
September 15, 1948, and resigned from
the party on April 13, 1953.—Yours
faithfully,

J. B. ROSS,
Deputy High Commissioner for
Southern Rhodesia

London, W.C.2

Farmers' Fury

SIR—In spite of Mr Radcliffe's having
helped you, you still do not seem to have
got at the dilemma of livestock trading,
which is the contradiction between effi-
cient production and clever marketing.
From the point of view both of farm
organisation and of the individual live-
stock being sold, there is an optimum
selling moment. Retention of the animal
beyond this moment upsets the through-
put of its successors and incurs mainten-
ance expenses not justified by its further
improvement.

But there is no necessity at all for this
production optimum to coincide with
the market optimum—indeed rather the
opposite, because gluts occur as a con-
sequence of certain periods of year,
under particular systems of production,
being more efficient than other periods.
Your farmer who markets when few
others are doing so is very likely to have
produced his animal, from that point of
view, inefficiently. His function of
ensuring regularity of supply should be
entrusted to an adequate cold-storage
organisation. It is certainly odd to find
you thinking his high-cost methods
deserve reward, but I console myself
with the reflection that he no doubt will
not get it when the butchers' rings start
again.—Yours faithfully,

R. N. HIGINBOTHAM
Robertsbridge, Surrey

SIR—There are two answers to your
note on my letter. Firstly that your
argument is not relevant to the choice
of a system of fixing prices, for any
system can attempt by varying prices to

counter the unfortunate fact that Nature
intends grass to grow in the spring, and
animals to be fat for the winter.
Secondly that the farmer's risk is not
confined, as you assume, to an autumn
sale. Whatever time of year he takes
his beast to the local market he knows
that if he has to take it back he makes
a loss, and that the buyers, the local
butchers, know this, and know each
other, too.

For the rest, I gather, you are content
that, if this risk is reimposed, some
farmers will brave it. No doubt they
will, as they did in the past, in suffi-
cient numbers to produce an *article de
luxe*. The blessings of free competition
for the consumer will then be con-
fined to having to meet much more com-
petition from the world in the market
for beef overseas than he did before the
war.—Yours faithfully,

G. R. Y. RADCLIFFE
New College, Oxford

[The farmer who produces at higher
costs, for periods of scarcity, certainly does
deserve the reward that consumers are
willing to pay in higher prices. Mr
Radcliffe now accepts this, and it surely
points to freely moving market prices as
the means of resolving Mr Higinbotham's
dilemma—of balancing the consumer's
interest in regular supplies against the
farmer's interest in raising and delivering
his beast at the lowest cost.

It is true that before the war meat
marketing was often wasteful and that the
scales were almost always weighted against
the farmer. But the reason why he could
do little about it was, surely, the plentiful-
ness of meat in world markets that, as Mr
Radcliffe rightly suggests, has now dis-
appeared. With this altered relation
between demand and supply, and with the
support of a deficiency payments system in
the background, it is surely reasonable to
expect the farmers co-operatively to see
that they get what they really need in the
way of feeding arrangements for beasts held
over between markets, cold stores, and
action to break butchers' rings. All this is
a case for improving markets, not a case
against them.—EDITOR.]

ABC of Input-Output

SIR—Your two recent articles have
rightly pointed out that the input-
output information which is now being
assembled in the Department of Applied
Economics at Cambridge, in co-opera-
tion with the Board of Trade, will be of
use not only to Government planners,
but also to industrial managements.

In a parallel field this company has
already made considerable progress of
value not only in the formulation of its
own policy but also in providing outside
contacts with useful information. In
1939 we were asked to provide the Con-
troller of Tinplate Distribution with an

analysis of the uses to which tinplate
was being put both by ourselves and the
country as a whole. Regular returns by
trade use were made to him to provide
a basis for exercising a control which
worked smoothly throughout the war
and until 1952.

Early in the war, the returns had to
be based partly on estimated figures, but
over the course of years we have been
able to substitute actual figures which
are now automatically produced as a
by-product of our sales analysis. The
precise trade use of some containers is
sometimes in doubt, but these represent
a small proportion only of our total busi-
ness, as we usually supply packers direct
with containers specially prepared for
the product to be packed. Our indirect
contribution to the export trade of our
customers is also brought out in these
figures.

This information has been of vital use
in forecasting and in other spheres of
management, and many other industries
supplying producers' goods might find
it advantageous to establish a similar
analysis of sales, if they have not already
done so to meet the needs of war
controls.

We understand that the work at Cam-
bridge is partly based on the analysis of
purchases supplied under the Census of
Production 1948. If the draft tables
compiled from this Census could be
made available before publication, to the
trade associations or significant firms,
the latter might be able to supplement
this analysis from recent experience.

To obtain the initial data will take
time, but thereafter its value will be very
much enhanced by prompt publication.
This kind of inquiry is exactly of the
type where in future more up-to-date
information could probably be obtained
by sampling, once the nature of the
"universe" is known.—Yours faithfully,

JOHN RYAN, Vice-Chairman
The Metal Box Company

Linguistic States in India

SIR—Your correspondent in Bombay is
very wide of the mark in his sweeping
assertion that "Hyderabad has not
created anything in any of the arts since
1687."

Painting of the Deccani School
reached its apogee in the eighteenth
century and continued well into the
nineteenth. Throughout this period the
state was famous for its calligraphers,
whose excellence has persisted to the
present day. Poetry (Urdu and Persian)
was appreciated and practised by the
ruling class well into the present cen-
tury. Architecture has flourished, both
Indo-Saracenic and modern, the
Osmania University being an outstand-
ing example; and Hyderabad is un-
rivalled in its handicrafts.

The belief, said by your correspondent
to be held in Delhi, "that Hyderabad
has a 'composite culture' which it is
worth considerable sacrifices to pre-
serve" may be less "chimerical" than
he would have us believe.—Yours faith-
fully,

Writtle, Essex

P. J. DONNELLY

Books & Publications

Time Bomb for Welfare Economics

THE POLITICAL ELEMENT IN THE DEVELOPMENT OF ECONOMIC THEORY.

By Gunnar Myrdal.

Routledge and Kegan Paul. 248 pages. 25s.

THE history of this book, as narrated in the author's prefaces, is rather curious. It begins a quarter of a century ago with Dr Myrdal's revolt against the "very uncompromising *laissez faire* doctrine" dominant in Sweden in the middle nineteen-twenties. A course of lectures delivered at the University of Stockholm in 1928 served as basis for the original Swedish edition of 1929, now long out of print; the German edition of 1932 was wiped out in an RAF raid on Leipzig; the present English edition, translated from the German, was commissioned in 1943; and—dishearteningly enough for the distinguished contributors to the welfare controversies of the last twenty-five years—nothing that has happened in the interim has made Dr Myrdal feel that either his matter or his exposition is obsolete. The concept of welfare was dead and damned before ever Dr Kaldor and Professor Hicks were born; and the appendix, in which the translator, Mr Paul Streeter, relates modern welfare theory to the main argument of the book, does no more than demonstrate that its proponents, in spite of some ingenious improvements in terminology, have failed to provide any new wine to put in the old bottles. The most self-denyingly positive "neutral" economic theory is—such is Dr Myrdal's thesis—shot through and vitiated by disguised value judgments.

It is indeed the metaphysical rather than the political element which he traces from the Physiocrats to Professor Pigou, and any ordinary reader following his argument may be forgiven for wondering whether it is really much more relevant to practical policy (which is always both economic and political) than the brawls between Homoousians and Homoiousians were to the Golden Rule. It is, however, very highly relevant indeed; it blows up the entire logical foundations not only of the "very uncompromising *laissez faire* doctrine" which stimulated it but also of the Socialist theory which stems back to utilitarianism and the concept of measurable utilities. What is left, or should according to Dr Myrdal be left, is a purely factual science of causal connections due to be supplemented by a sociological study of "economic interests," their occasional coincidence and their relative strength in the never-

ending social tug-of-war. The function of economics is not to postulate universal laws and norms but "to keep political arguments rational." The economic problem is "a problem of social psychology, not of logic."

Dr Myrdal's own logic cannot be readily faulted, whether he is winking out the notion of the harmony of interests from an apparently innocuous mathematical generalisation or pinpointing the value judgment implied in the concept "national income." But it can, perhaps, be partially answered in terms of his own conclusion that social psychology is paramount. The formation of concepts and of language itself is a process of social psychology; not only in economics but in every argument dealing with human relationships the observer, the commentator, and the verbal tools which they use, are inextricably part of that which they observe and comment upon. To a greater or lesser extent every political and social generalisation is a distortion; at best a vital lie. That corrective common sense to which Dr Myrdal frequently pays tribute has, besides its other functions, that of checking both the eager logician who tries to build on any system of "objective" premises more than its necessarily flawed foundation can carry, and the destructive analyst who deduces that no man can recognise another man's hunger, cold or frustration.

Radical Surgery

A DECADE OF DECISION.

By Fred Hoyle.

Heinemann. 175 pages. 6s.

WHEN a man of outstanding intellectual attainments uses them to cultivate a field in which he has no special expertise the results may be illuminating or plain silly. Mr Hoyle's "Decade of Decision" is both. For well-canvassed reasons—vulnerability in the atomic age, world population pressure on exportable food surpluses, industrialisation of primary-producing countries—Great Britain is, in Mr Hoyle's view, incapable of supporting fifty million people at tolerable standards. Now is the time to reduce the population to half that number (Mr Hoyle would prefer an even lower total) by a massive migration of a million a year, coupled with industrial expansion in the Dominions. The cost would be less than that of a major war (though of the same order of magnitude); the result would

be prosperity and security; and the alternative is disaster.

Meanwhile—here Mr Hoyle turns from economics to politics—Russia should be given a free hand in the east and a straight warning that aggression in the west will be met with all-out atomic attack. (Echoes sound from the nineteen-thirties: let Hitler eat bear!) Russia and Asia will do one another a power of good; for Asia will keep Russia quiet, and Russia, once made aware of the facts of life and of geometrical progression, will be ruthless enough to impose contraception on Asia, thus removing the worst of the Malthusian threat from mankind. The tropics can be cleared and tamed (the groundnuts scheme was, *pace* Dr Dudley Stamp, merely ill-sited and inadequately supplied with bulldozers) and will supply enough food-stuffs for the present and, by scientific use of the sun's nuclear energy, a promising source of power against the future shortage of coal, oil and uranium.

These projects for the "decade of decision" are set in perspective by a swift survey of human history recalling Wells and Spengler in equal parts; they represent the necessary measures against just such a decline and breakdown of civilisation as has occurred—with observably parallel symptoms—at intervals in the past. The balance of population and resources is, and always has been, the major determinant of national and world history. If man is to survive (for any future civilisation would get a poor heritage after the breakdown of our own) that balance must become a matter of deliberate decision rather than of blind chance.

One could say a good deal about the politics—and the strategy—of Mr Hoyle's Agenda for Survival. Sticking (with an effort) to the economics, one may wonder at the naivety which allows him to ignore, in his crude balance sheet of British resources and population, everything that is organic in the relations of interacting economic units; all considerations of scale, specialisation and indivisibility; all that makes the difference between the *tabula rasa* of his imaginary empty Britain and the infinitely complex palimpsest of a modern industrial society. One cannot change a Clydesdale into a Shetland to fit an inadequate pasture. The simile may be exaggerated, but it is nearer reality than the inorganic statistics of Mr Hoyle's calculation. And a fraction of the cost—in resources, in subjective dislocation, in loss of liberty through war-style regimentation prolonged through a quarter of a century—of Mr Hoyle's grand design would, if applied to home re-equipment and adaptation to the world's service, ensure that stability which postwar Britain admittedly lacks. Mr Hoyle deals in perspectives and related magnitudes; one relevant magnitude is that of Britain's deficit at the worst point of the worst postwar crisis—a deficit of five per cent. There ought to be better ways of dealing with that five per cent than a hundred-per-cent dismantling of the British economy.

Writer and Thinker

THE COAST OF INCENSE. *Autobiography, 1933-1939.*

By Freya Stark.

John Murray. 287 pages. 25s.

AUTHORS who tell their life stories in a succession of books are faced with a problem when they get to their middle and later volumes. Shall they write for old readers at the price of unexplained allusions or shall they cater for new readers at the cost, perhaps, of boring the old? Two modern writers, Mr Osbert Sitwell and Miss Freya Stark, have sidestepped the difficulty with notable success. They do so not because each volume is self-contained—this it can never be—but because both of them are not only writers, but thinkers, of distinction. In this book Miss Stark is able to arrest and hold attention both by telling her story and by giving new twists to usual and unusual ideas.

Miss Stark's old readers need no book review. They found the first two volumes of her life so invigorating that they will stretch with pleasure for the third. This review, then, is to tell new ones that they need have no fear of being left in the cold because they do not know who Whiffey is or what were past relations with B. For, stimulating and hard by their elbow, they will find Miss Stark the philosopher, Miss Stark the word painter of Arabia, and Miss Stark the budding politician.

By her standards, life is what you make it, and as "mine is hitherto a happy one," her recipes for living are worth study; they are scattered here and there among descriptions of the Middle East that will cause smiles—some wry, some nostalgic—even among those who only knew it from an army lorry. There are glimpses of road-making where this is the operation of myriad women collecting "expanses of tiny gravel with their hands or with flimsy palm leaf brushes"; of Arab meals at which, to the protest that too much bounty is spread, the answer is "Why didn't you bring more people?"; of constant stumblings upon hewn stones that denote other civilisations and ancient prosperity. For the connoisseur, there is a new account of much interest, of a journey to the holy Shiah towns of Kerbela and Nezeef in Iraq, and a description of Kuwait before the oil came.

The last years covered by the book are heavy with foreboding of war. Here the element of political judgment enters the story:

it continues to surprise me that British authorities neglect the encouragement of suitable visitors for difficult places, their only means—just because it is unceremonial and done at odd and accidental times—of preparing knowledge and friendship for any coming strain.

In 1939, she upbraids Whitehall for not stocking Bulgarian attar of roses and "preserving an ally by buying useless

stores." All this foreshadows her war service. "Perhaps," says a letter of 1937, "I shall have some hand yet in the future." One facet of a good book is this engaging preview of talents that later furnished some of Britain's most inventive propaganda devices. With that foretaste, her many admirers must for the moment be content. She has decided not to write immediately of the war years, though "I still hope to live long enough to write about an opening door."

Essays in Economic History

ENTERPRISE AND SECULAR CHANGE: *Readings in Economic History.* Edited by Frederick C. Lane and Jelle C. Riemersma.

Allen and Unwin. 556 pages. 32s.

THIS collection of twenty-seven essays, most of them from various journals, appears under the joint auspices of the American Economic Association and the American Economic History Association, and is modelled on the well-known series of "Readings in Economics." It is clear after reading it that economic history is less well adapted than economics to this sort of venture. At least since 1936, economics has progressed largely by clearing up specific logical muddles—article-sized muddles—and it is not difficult to identify the leading contributions. History, on the

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This is the third and last volume of Selected Soviet Documents on Foreign Policy, and it covers the period 1933-1941. The Soviet Government's continual preoccupation with its relations with Germany, and with Japanese policy in the Far East, become clear, and help to explain the non-aggression pact with Germany, and the conciliation of Japan. It was a period in which the revolutionary accents which marked the Soviet Union's foreign relations in earlier years, became less emphatic.

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other hand, is written in books; its themes are larger and its interests much more diverse. The historian needs space to exhibit his characteristic virtues. Doubtless much good work has appeared in article form, but the important articles do not identify themselves so clearly as do the seminal contributions to economics. The choice of any Readings in Economic History must therefore be rather arbitrary.

The ambitions entertained by the editors of the present Readings have aggravated these inevitable difficulties. They have tried not only to display the diversity of problems studied by economic historians, but to show the advances made in the subject since the 1890s, and also to illustrate various views on methodology. With so large a programme they have not unnaturally had to exclude certain branches of the subject altogether—industrial history and agrarian history for example—and it cannot be said that "Enterprise and Secular Change" is an altogether apt umbrella for the two subjects mainly dealt with—"business units" and "money and prices." As a result the collection lacks unity and balance.

It is nevertheless a very useful collection. Most of the items are articles from inaccessible periodicals, and, though one might argue about one or two of them, they are articles of importance. Fourteen of the twenty-five contributors come from America, but this preponderance is not perhaps more than is warranted, in a book published under American auspices, by the substantial contributions made by American scholars to the history of business organisation and prices. For English readers the most useful feature of the book is its excellent translations of the work of the great continental scholars. Schmoller, Sombart, Sapor, Einaudi, Spiethoff, Simiand and Marc Bloch among others are represented here by work which exhibits their characteristic virtues and methods.

These selections from continental scholars show a surprisingly wide range of approach and flavour. Economists now talk an international language; historians—and we may be glad of it—still retain a touch of local dialect. Each of these scholars has a markedly individual approach to the subject, partly a product of personality and partly the result of his national culture. English economic history since the days of Cunningham has tended to be insular, and the work of continental historians has not had the impact on English scholarship which its originality warrants, because it has been locked up in a foreign language. This collection will help to promote a fruitful exchange of ideas. Anyone who wants to know what economic historians in the United States and on the Continent have been up to can turn with confidence to this book. It will not, however, tell him much about their activities in England; of the three items by which English scholarship is represented two strike one as curious choices.

Sketch of Vulgarly

MUSSOLINI: AN INTIMATE LIFE.
By Paulo Monelli.
Thames and Hudson. 304 pages. 21s.

ONE of the more curious remarks in this sketch of the late Italian dictator is that "the chief role of Margherita Sarfatti in Mussolini's life was to teach him a little social refinement." Signor Monelli's whole book reads like a gradual discovery of Mussolini's vulgarities, of his continual inconsistencies, of his dislike for washing and of his bad taste in clothes, in archaeology, in handling the violin and in love-making. Many Italians have still to make these discoveries, and they are discoveries especially dear to the Italian brain, which seems to be desperately searching for a code of behaviour, and therefore always in danger of being trapped into the wrong code.

Signor Monelli was a journalist during Fascist rule. He has now gleaned all the facts and much gossip from scores of German and Italian memoirs and hundreds of conversations concerning Mussolini's behaviour with his family, his associates and his mistresses. The treatment is not unlike Sinkiewicz's portrait of Nero in *Quo Vadis*, pretty black, fairly luscious, and frequently relieved by a little shower of pathos. Imperial Rome, however, had a large slave population. Signor Monelli fails to explain this particular enslavement of modern Rome, although the question occasionally worries him. The book is reportage, not history, nor yet more than sketchy biography.

Southern African Survey

NATIVE ADMINISTRATION IN THE
BRITISH AFRICAN TERRITORIES.

Part V. *The High Commission Territories: Basutoland, The Bechuanaland Protectorate and Swaziland.*

By Lord Hailey.

H.M.S.O. 447 pages. £1 2s. 6d.

THIS massive volume concludes Lord Hailey's survey of native administration in the African dependencies of the United Kingdom; the earlier parts were published in 1951. It will take its place beside the preceding volumes as an authoritative reference work for all concerned with constitutional developments in British African territories. Those who, considering the colonial crisis of our times, may have hoped for more—for, perhaps, a "Dual Mandate" for the fifties—will be disappointed by Lord Hailey's somewhat academic caution. Here and there he looks aside from his main task of judicious compilation to express criticism or commendation of some past act of policy or measure of administration. But the cumulative impression he conveys is of being fairly satisfied with the structure of government in the High Commission Territories as it has been taking shape since the last big reorganisation after the war.

He achieves this guarded optimism by dealing with each territory strictly on its own and by confining his attention to the organisation and working in it of the machinery of justice, finance, economic development and social services. Moreover, Lord Hailey makes suggestions for improving this machinery separately for each territory, on the assumption that the long-term aim of policy is some form of self-government for each. How the affairs of these territories are connected with one another through falling under the direction of the High Commissioner's Office receives no examination. But what makes Lord Hailey's assessment of the immediate outlook for native administration in the territories seem unrealistic is his punctilious disregard of the Union of South Africa. And the curb of diplomatic exigency is the more to be regretted since the most valuable lesson of this survey is that British policy in the three territories has always been decisively influenced, if not determined, by political events in the Union.

Many of the facts Lord Hailey assembles are well known to specialist scholars and to senior government officers. But they are nowhere brought together in such an illuminating historical context as here. One can see how the motive of avoiding responsibility for administering the territories governed Imperial policy and led to a form of indirect rule by default. There were and are, of course, striking differences between the territories. A relatively non-intervening administration no doubt suited the powerful and politically astute chiefs of Bechuanaland and Basutoland more than it did the Swazi with their constant fear of domination by white settlers. The results, as can be seen from the statistical and other information compiled by Lord Hailey, were however much the same for all. In spite of increasing revenues and some progress in education, the territories remained more or less stagnant, especially in regard to social services and to agriculture and cattle husbandry, the people's principal source of livelihood. The first big step in the direction of a more positive policy arose from the Pim reports of 1933-35; but it is only quite recently, with the possibility of substantial help from Colonial Development and Welfare funds, that solid advances are becoming visible. Lord Hailey is in his element in discussing, documenting and commenting on these changes.

This book shows that Lord Hailey's interests are primarily those of the scholar and the historian, not those of the statesman and maker of policy. Here the student will find admirably summarised and arranged the most important information on the ethnology, population, natural resources, finances, political history, constitutional development and so on of the High Commission Territories. He will not find a blue-print for the future of these territories or a philosophy for the next stage of British colonial policy in Southern Africa.

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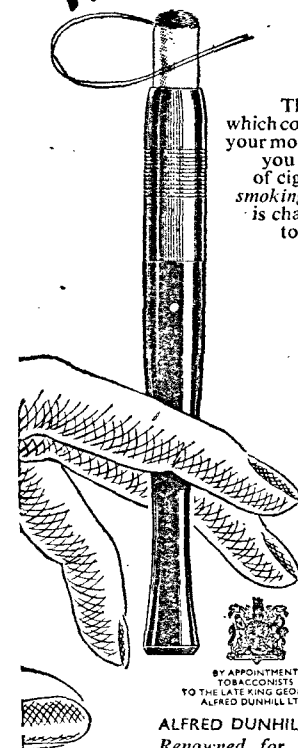
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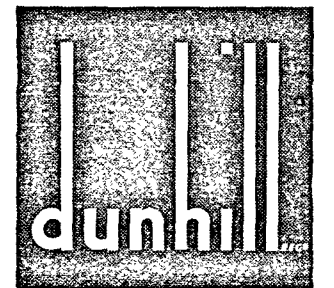
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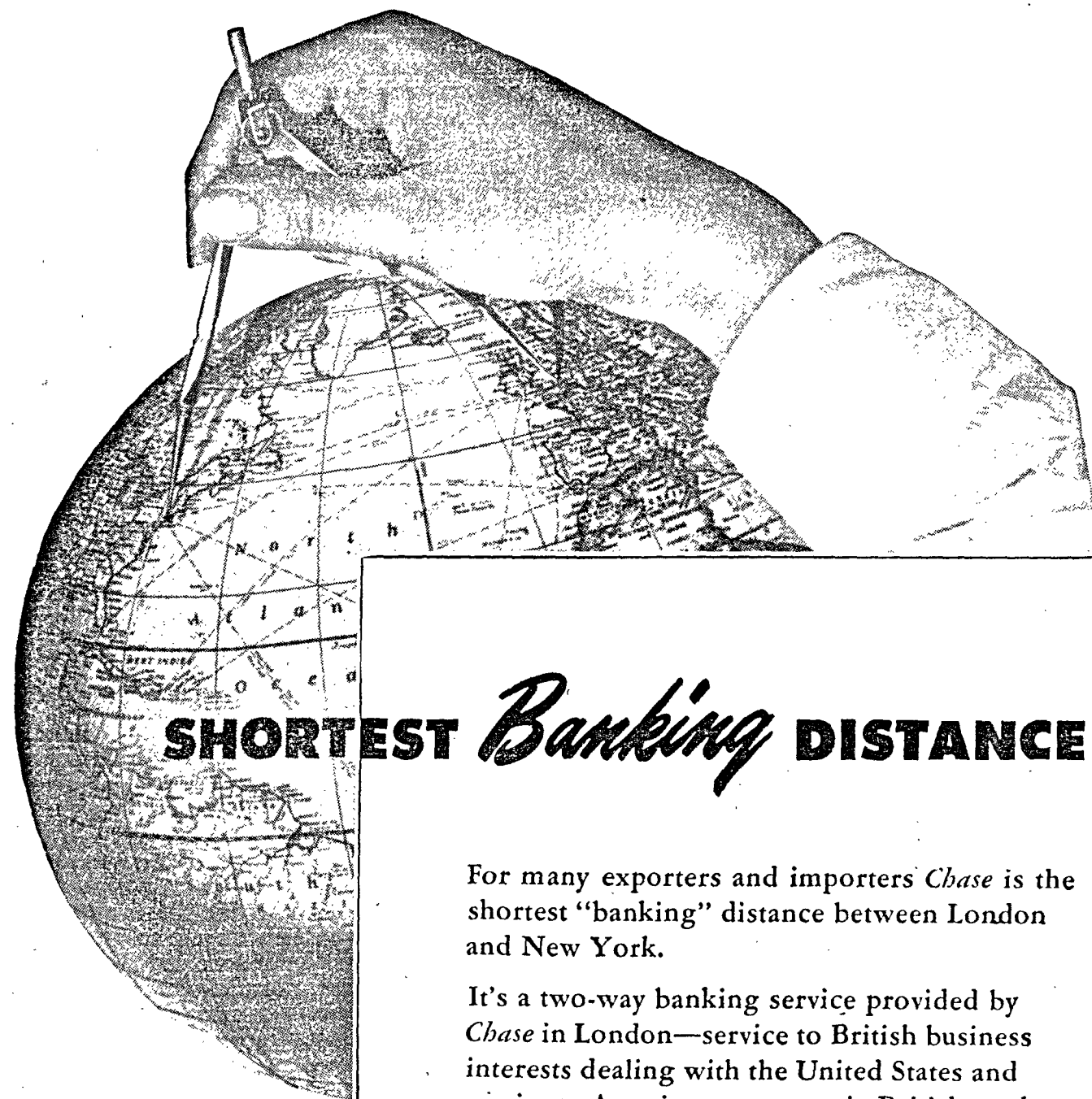
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American Survey

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.

Feeling for Flexibility

Washington, D.C.

IN the days before the war when Washington was, from a diplomatic point of view, a capital of not much greater significance than Ankara or Brussels, the foreign embassies and many senior American officials used virtually to abandon it for some cool and elegant New England watering place from the beginning of July until the middle of September. Even today, when no important official can snatch more than a week or two of holiday, and the lights in the government departments burn late in summer as in winter, there is a noticeable quickening of initiative and decision each year as summer turns to autumn. Thus it is not surprising, after a summer in which American foreign policy seemed to reproduce only the stereotypes of the election campaign, that the last four weeks should have brought a more active and original approach to the problems of the cold war than has been apparent in the past three—or even six—months. What is surprising is the degree of unanimity which appears to exist between the leaders of opinion on both sides of the political fence about the kind of approach that the United States should make to those problems.

On September 15th Mr Adlai Stevenson, making, in the form of a report on his world tour, his first major speech since his defeat, spoke of the necessity to consider avenues of negotiation with the Soviet Union that would elicit its real intentions, and also of the need "to provide durable assurances of non-aggression for Russia as well as for France, for Germany and the rest of us." Delighted Democrats, anxious that their leader should not remain too far above the political battle, construed this as a strong implicit criticism of the "tough" or "American" foreign policy of Mr Dulles. Yet two days later Mr Dulles in his speech to the United Nations made the same points in language that differed from Mr Stevenson's only in the gracefulness of the phraseology.

Similarly, the President anticipated to some extent another implied criticism, this time from Mr Dean Acheson, who was making his first public speech since he left office. At the annual dinner of the Woodrow Wilson Foundation in New York on October 1st Mr Acheson stressed the importance of maintaining at all costs the coalition of free nations which the United States had constructed after the war. "At the heart of our policy always, day in and day out, lies the strengthening of our coalition, of our united front." And earlier in the speech he insisted that

whatever issues appear upon the conference agenda, whatever debates occupy the columns of the press and the news

hours of the radio—the supreme issue, the central point around which all else revolves, is the health and strength and cohesiveness of our coalition.

Yet the day before he spoke the President, in much less clear language, had told his press conference, in reference to his forthcoming and several times delayed speech on atomic weapons and defence, that

we have friends abroad; we must be very careful that they understand always we have one intention in the world, peace. . . . They say we are pugnacious or we are impulsive or we have lost faith in the conference table. Those things are far from the truth.

Finally, on October 1st there was union at the apex when Mr Stevenson called upon the President at the White House and was able to tell reporters afterwards that the President thought that his proposal for guarantees to Soviet Russia of non-aggression "has merit and it is under serious study by the State Department," a statement which was confirmed by Mr Dulles at his press conference on Tuesday and which gave the final answer to Senator Homer Ferguson's strictures on Mr Stevenson's original proposal of the idea as "appeasement."

★

The hints—which have burgeoned like autumn crocuses—that the United States is ready to consider a non-aggression pact and the reminders that it has not closed the door to negotiated settlements probably would be misleading if they were construed as the approach of a new American diplomatic initiative. Mr Stevenson's remarks were clearly inspired by the appalling decline in the confidence in American leadership that he found in the rest of the free world, and by a desire to get American foreign policy off dead centre. At the same time they made it clear to the Administration that any shift in the American position, even if it meant a modification of the containment policy which was the Democrats' contribution to history and to the results of which Mr Acheson pointed with so much pride, would not be made the subject of party political advantage.

Mr Dulles and the President for their part have, it would seem, finally been made aware of the almost universal criticism outside the United States of the "inflexibility" of American policy. Their references to possible diplomatic approaches to Russia have been intended as much to set the record straight with European and Asian opinion as to lure the Russians to the conference table, something

which in any case seems unlikely in view of the latest Russian note. It is an irony which will no doubt amuse some future historian that the death of Joseph Stalin produced a Russian *détente* at the time when the new Republican Administration was suffering from the political necessity of proving its refusal to be taken in by soft words, and that the hardening of the Russian position comes at the moment when the Republican Administration has acquired sufficient confidence to suggest that diplomacy has a future.

What is not clear, despite the similarity in the tones of the main spokesmen of the two parties, and despite the fact that Republican newspapers have praised Mr Acheson and Democratic ones Mr Dulles, is the extent to which the public or Congress has as yet appreciated the significance of the more patient, and less dogmatic approach to the problems of the cold war which has been displayed in recent weeks. It is more than possible that references to a non-aggression pact with Russia are as much a trial balloon to test American opinion as to test Russian intentions. The statement of Mr Knowland, the Senate majority leader, on his return from his world tour, that any non-aggression pact would be another Yalta or Munich unless it were preceded by a Soviet agreement to hold free elections in all the satellite countries suggests that the Administration has a major job of leadership and education ahead of it.

But it is not only the public which has failed to keep pace with the development of its leaders' ideas; they have not yet penetrated the United States delegation to the United Nations. Mr Henry Cabot Lodge, whose position as a full member of President Eisenhower's Cabinet is so different from that, say, of Sir Gladwyn Jebb, made one concession on the composition of the Korean political conference two weeks ago, but has since reverted to fixed positions again.

It is clear that there is now a gap between Mr Lodge's actions and the desire of the State Department to avoid needless frictions with the allies. This was clearly illustrated when, on September 25th, a senior official of the Administration brought into play a well-known weapon of democracy—a calculated leak to the *New York Times*. The suggestion it conveyed, that the United States was considering the possibility of a unified, neutralised Korea under an international guarantee to which Russia and China would be asked to subscribe, was an attempt to move beyond the unprofitable dispute over the composition of the Korean political conference by proposing solutions to the main problem which would confront it. Unfortunately Mr Lodge is not the only stubborn man with whom the State Department has to deal, and the vociferous protests of President Rhee, echoed by his Foreign Minister in Washington last week, against any such proposal except on his own terms, make it clear that a decision of a much more brutal kind must be taken by the Administration before intelligent diplomatic solutions can be applied in that quarter of the globe.

THE IRISH ECONOMY

Recapturing Lost Opportunities

Page 139

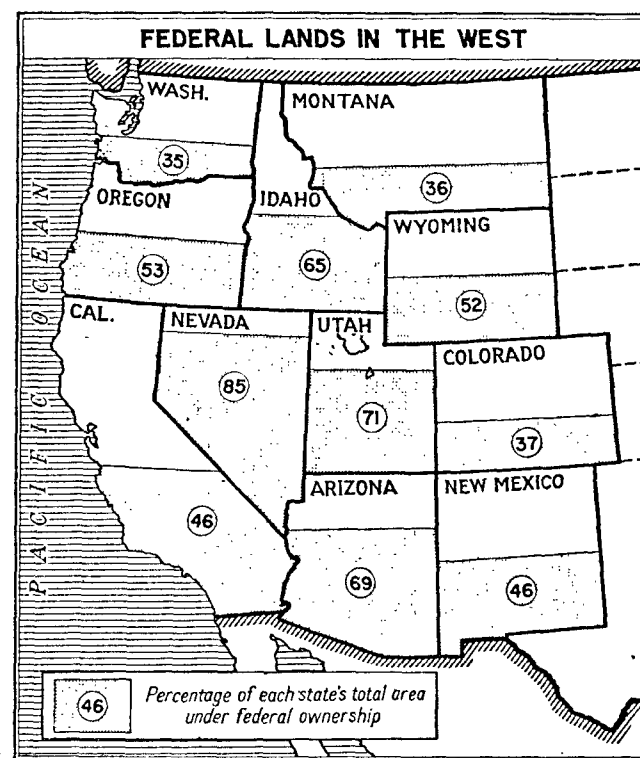
Whose Public Domain?

FROM A CORRESPONDENT IN COLORADO

THE future of the public lands, 90 per cent of which lie within the eleven westernmost states, may provide some of the bitterest disputes to come before the next session of Congress. A third of a billion acres of mountain, forest, and plain are still owned by the federal government, mainly because, in the early days, no one wanted this wild land, or could make a living from it.

In more recent times, however, there has grown up a sharp dispute over whether this land should be allowed to pass into private hands, chiefly to round out livestock ranches, or be transferred to the states, or whether it should be kept under federal control for the sake of its timber and mineral wealth, its value as a recreation area, and its water and water-power.

At first there seemed to be little use except grazing for these remote lands, and the cattlemen and sheep farmers came to think of themselves almost as owning them. In 1936, however, a Senate committee under Senator George Norris reported that the original ability of the federal lands in the west to support animal life had been cut in half by



over-use and erosion. Even if over-grazing ended at once, the report added, it would take many years to end the deterioration which was still going on.

Since then, federal agencies, led by the Forest Service of the Department of Agriculture, have reduced grazing rights year after year. They have been resisted at every step by the growers of livestock, who tried several times, but failed, to secure the passage of laws which would allow them to buy the choicer grazing lands at low prices, or would weaken the authority of the federal government over their use.

When the Eisenhower Administration took office, these

private interests renewed their attempts to secure a freer hand. Their first Bill proved so unpopular in the west, however, that it had to be dropped. A congressional committee has been taking testimony in the west on a much milder proposal: one which would permit holders of grazing-permits for federal forest lands to carry appeals against the decisions of federal agencies to the courts. This measure has the formidable support of the chairmen of the agriculture committees of both the Senate and the House and carries the formal endorsement of the Secretary of Agriculture. Nevertheless, it will probably stir up as many storms as its predecessors. Westerners who are interested in conservation oppose it, on the grounds that the Bill would, in effect, make the courts the administrators of the forest lands and subject them to endless litigation. Conservative western newspapers are extremely critical of the measure.

The great value of mountain land today is as the generator of water. An uninterrupted water supply is literally the basis of the existence of such great western cities as Los Angeles and Denver and of irrigated farms covering millions of acres and producing billions of dollars worth of food every year. A healthy covering of grass and trees is necessary for land which is to produce a pure water supply and also helps to attract the tourists who have become such a source of income for the west.

It is estimated in a book which is both recent and authoritative ("Western Land and Water Use" by Mr Mont Saunderson) that the federal forest lands generate water for irrigation purposes alone worth about \$250 million a year and supply timber worth \$20 million, as well as tourist attractions of equal value. The grazing rights held by fewer than 25,000 ranchers are estimated to be worth about \$3 million a year in forage.

It must be said, on the other hand, that the Forest Service and the Department of the Interior, which controls most of the rest of the public lands, have never had enough money to carry out an effective programme of reseedling and range improvement. They have checked the deterioration and shown how a future large-scale attack on the problem might be made, but that is all. Lack of money also explains the failure to enforce the eighty year old law on mining in the public domain. The law limits the use of the surface to what is needed for actual mining operations, but its critics maintain that, in fact, mining claims have been used to appropriate lands for other purposes, such as summer cabins, resorts, and "dude-ranches" and to secure timber, which may bring as much as \$25,000 for the harvest of a claim of 20 acres.

★

Water, which is so precious in the west, can also be dangerous, particularly in the great plains. In this semi-arid region where rain falls violently when it does fall, floods have continued to increase in volume and in the amount of damage done. The great Kansas River flood of 1951 caused damage of more than a billion dollars, more than any other such catastrophe in the nation's history. The Soil Conservation Service estimated that nearly half of this occurred above the big dams and above the sites chosen for future big dams in the gigantic plan for the Missouri Basin.

People who live above these sites, far up the tributaries, are convinced that they will derive no benefit from these ambitious and costly projects. They protest that they will

still be flooded and that their precious top-soil will be carried downstream to fill up the big reservoirs. Their protests brought to a halt the work on the huge Tuttle Creek dam being constructed by the Army Engineers, after several million dollars had been spent on it. Kansas even sent a Democrat to Congress—something unheard of—because he opposed the building of Tuttle Creek.

Some sixty or more groups have been formed to agitate for "stopping the rain where it falls" by the use of contour ploughing and the construction of small dams high up the tributaries. The Department of Agriculture, which wants to build thousands of these, has just secured, after a stiff fight, an appropriation of \$5 million for small watershed improvements.

Work is continuing, although at a reduced rate, on most of the big dams in the \$10 billion Missouri Basin project. But the related questions of the control of water and of soil in the western states—the foundation on which their economy rests—are undergoing sharp scrutiny, although it is too early to say how great the changes will be.

American Notes

The Need for Candour

It is denied at the White House that the President's speech at Atlantic City, which dealt only in general and familiar terms with the horrors of atomic warfare, marked the launching of the much-heralded policy of telling the American people the truth about their vulnerability to an attack by atomic or hydrogen bombs. But the longer the President hesitates, the more officials and experts rush in with alarming and contradictory statements of their own. Are Americans to believe Mr Wilson, the Secretary of Defence, who declares that the Soviet Union is still incapable of launching a hydrogen bomb attack, or the chairman of the Joint Congressional Atomic Energy Committee, who said this week that the choice lay between "financial ruination and atomic devastation" and that \$10 billion a year should be spent to strengthen American defences?

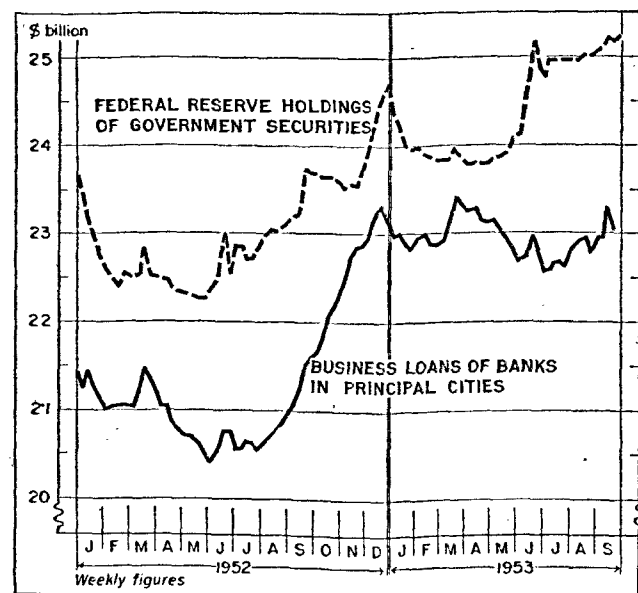
The head of the Office of Defence Mobilisation, in a report which revealed that since May special tax incentives have been available for firms who strengthen their plants against atomic attack, also believes that the Soviet Union is capable of delivering, without warning, "the most destructive weapon ever devised by man"—a belief in which he is only a year or two more pessimistic than Mr Gordon Dean, the former head of the Atomic Energy Commission.

The reasoning behind what has been called "Operation Candour" is that only a great relaxation of secrecy will awaken Americans to their danger and lead them to accept the new tax burdens which would be needed to pay for effective protection. In fact, it seems that the National Security Council and the Joint Chiefs of Staff have rejected, for the time being at least, the immensely costly projects for defence against atomic attack submitted by various study groups. Mr Wilson said flatly this week that less than \$1

billion would be requested for continental defence in the new budget, presumably to round out an early warning system, the first step in any comprehensive programme. This may well be as much as can usefully be spent in the first year; trained manpower, rather than dollars, is the limiting factor. Moreover there is the risk that any Maginot line of the air would become obsolete even more rapidly than its famous predecessor. But it is unfortunate that it should have been Mr Wilson, who is held responsible for clipping the wings of the Air Force in the name of economy, who let the cat out of the bag. Only the President can inspire confidence that the decision is the right one and that it does not represent the victory of economy-minded businessmen over the military experts.

Easier Money

COMPLAINTS against the Administration's "hard money" policy, which the Secretary of the Treasury prefers to call honest money, are becoming more difficult to sustain. The lower rates at which both the Treasury and businessmen were able to borrow in September reflected not only a lagging demand for credit, but also the determination of the monetary authorities not to be taken unawares by any falling-off in business activity. The yield on Treasury 91-day bills has fallen from 2.40 per cent in June to 1.39 per



cent at the end of last week; the Treasury has been able to replace its May issue of savings notes with one bearing lower rate of interest; and businessmen have seen rates on commercial paper fall for the first time in over two years, from $2\frac{3}{4}$ per cent to $2\frac{1}{8}$ per cent.

Part of the explanation is that the expectation of a great upsurge in demands for credit this autumn, which led the reserve authorities to loosen-up last spring, has not materialised. Business loans have expanded much less than is usual in the third quarter, and government borrowing of new

money in the rest of 1953 cannot exceed about \$2 billion because of the limit on the public debt.

Nevertheless, as the chart shows, the federal reserve system has once more been buying government securities—\$271 million worth since mid-August—and thus providing additional funds to a market already amply supplied. The banks, which were heavily in debt to the federal reserve system last spring, now have free reserves in hand. The season of the greatest demand for credit still lies ahead. But there is a firm belief that the reserve authorities will not hesitate to provide more funds, either through open market operations or through a further reduction in reserve requirements, if any signs of strain appear or the deflationary clouds on the horizon come any closer.

Taft-Hartley to the Rescue

THE Taft-Hartley Act, the abominable "slave labour law" of trade union oratory, is proving a useful ally to the American Federation of Labour in its struggle for the allegiance of the dockers in the East Coast ports. Under its terms the government is empowered to intervene in labour disputes that might cause "immediate and irreparable injury" to the national welfare. Consequently a court injunction, applied for by the Department of Justice, has suspended for ten days the strike of dockers in all the ports from Virginia to Maine. This had been launched last week by the racketeering International Longshoremen's Association, which the AFL has expelled and is trying to destroy. A second injunction will probably follow, putting off further strike action until Christmas Eve.

This eighty days' grace gives the AFL its chance to carry out a full-scale recruiting campaign for the rival union it has set up. If this union can produce the signatures of 30 per cent of the dockers on a petition form it can demand, under another Taft-Hartley clause, that an election be held by the National Labour Relations Board to decide whether or not the ILA is any longer to be regarded as the official bargaining body. Until this happens the government's mediating officers have to go through the motions of bringing together the claims of the ILA and the employers—just at the very moment that Mr Dewey, the Governor of New York, is putting the strongest pressure on the shipping companies not to have anything to do with such a hopelessly corrupt union.

Fortunately, the mediating officers are unlikely to be embarrassed with success. The companies, which did not relish having to foot the bill for the long struggle which public-spirited citizens were promising themselves against crime on the waterfront, seem to have been reassured by the President's willingness to treat the situation as a national emergency. At any rate they are insisting that any new contract must include a firm commitment by the dockers to carry out the new arrangements for hiring labour which the Waterfront Commission, set up by the States of New Jersey and New York, is to bring into force on December 1st. This would seem, as the President's fact-finding board reported, to make any understanding with the ILA "exceedingly unlikely," as the union is threatening to fight the new waterfront legislation all along the line.

Steel Pays its Fare Again

COMPETITION officially returned to the steel industry when the US Steel Corporation announced, as it did last week, that it will once more absorb freight charges. Other companies can hardly avoid following the example of the firm which produces one-third of the nation's steel output. Freight charges have not been paid by the producer since 1948 when the industry, under government pressure and in a booming market, abandoned the complex multiple basing-point system. There is no thought of reviving anything similar, which would run afoul of the anti-trust laws, but simply of individual firms paying freight costs in order to obtain new business or retain old customers.

The steel mills have not run at 100 per cent of capacity since last May. They have been down as low as 90 per cent, which accounts in part for the slide of the Federal Reserve index of industrial production in September, but they are now operating at about 95 per cent of capacity. Order books are thinning out, although this is partly due to consumers using up their stocks and ordering steel only when it is needed. Premium prices are disappearing and conversion deals, in which users of steel bought ingots and had them converted into finished products at high prices, are now things of the past.

All this, however, for the moment at least, is more a matter of supply catching up with demand than of demand falling off, although in farm areas there has been a drop in demand for agricultural machinery which could be heard as far as Pittsburgh. Steel capacity has risen by 25 million tons since 1946, and production this year, if the 90 per cent rate is maintained, will total 112 million tons, seven million more than in 1951, the previous peak year.

Freight absorption is likely to be confined at first to products affected by the keenest competition. Freight rates are twice as high as they were in 1946 and the industry would be happier, too, if Congress would pass the Bill sponsored by Senator Capehart legalising the absorption of freight charges when this is done in good faith to meet competition. The Federal Trade Commission has given its blessing to the practice, but the industry would like it in writing.

Point Two-and-a-Half?

BY resorting to the now familiar device of setting up a study group Mr Stassen, the director of the Foreign Operations Administration, is seeking to remove the impression that when all forms of foreign aid were placed under one roof it was at the expense of Point Four. Certainly no room has been found for many of the senior officials of the old technical assistance agency, which had built up a reputation in underdeveloped countries for giving disinterested advice. Fears have been expressed that this reputation may be quickly lost if the programme comes under the direction of officials whose main purpose is to mobilise resources for the cold war.

Mr Stassen is running true to this Administration's form in two other respects: he wants to devolve much of his responsibility on to regional directors, because in the

past "too much energy has been lost in programming and reprogramming in Washington," and he also wants to take the government out of the actual application of Point Four aid as much as possible. He thinks assistance given on an "individual-to-individual" basis by unofficial bodies will appear less "patronising" to the recipients than if governments are involved. His critics reply, out of much hard-won experience, that in each country there must be central direction by an official American agency if the work of scattered groups of technicians is not to be dissipated, and if proper co-operation is to be obtained from local governments.

Mr Stassen hopes to get guidance on these questions from the International Development Advisory Board, which President Eisenhower has just reconstituted under its old chairman, Mr Eric Johnston, the president of the Motion Picture Association of America. It has been given two months in which to study the proper relation between technical assistance and other forms of foreign aid, and the respective parts to be played in the giving of technical assistance by the American Government, private American organisations and the United Nations, for whose programme the United States subscribes 60 per cent of the funds. When he receives its report Mr Stassen will have a chance of showing that he does not intend to allow Point Four, which has become something of a symbol of American goodwill, to lose its identity or become devalued, as the American Veterans Committee fears, until it has become only "Point Two-and-a-Half."

SHORTER NOTES

A bond issue that would hardly do well on Wall Street is being distributed by the United Hatters Union to help finance its strike, which has been going on since July, against the largest hat company in America. The union is selling its members \$500,000 worth of 3 per cent three year bonds in denominations of \$100 and \$500 so that it will not have to deprive its treasury of funds for regular activities by its weekly payments to the 1,400 members on strike.

Mr Vincent Impellitteri, who was elected Mayor of New York in 1950 as an independent, has announced he will stand again this November in spite of his resounding defeat in the recent Democratic primary election. His chief opponents will be Mr Robert Wagner, the Democratic candidate, Mr Rudolph Halley of the Liberal party, and Mr Harold Riegelman, the Republican nominee; there are also candidates from three minor parties.

In spite of assurances that chlorophyll-treated dog food will not destroy the odours that lead to "romantic impulses," suppliers of chlorophyll have found their market shrinking in both the canine and the human world. Chlorophyll, the compound derived from alfalfa and widely advertised as a deodorising agent, has fallen in price from \$110 a pound last year to \$45, and the number of products containing it have been reduced from over 200 to less than 50.

The World Overseas

Malaya's New Nationalists

BY A CORRESPONDENT

WHATEVER may have been said about the neutralism of the Malayan Chinese in 1949 and 1950, they have now certainly come down off the fence. Many of them are now Malaya's new "nationalists," opposed both to the Communists and the British. Among older, more prosperous Malayan Chinese two things above all hardened them against Communism. In Malaya itself it was the Communists' campaign of senseless terrorism, which found most of its victims among the Malayan Chinese. And in China they frequently found that their relations, many of whom had been converted from poor tenants into petty landlords or rich peasants by means of their remittances, were among the chief victims of Peking's land reforms. They themselves were frequently subjected to "blood money" blackmail.

The Malayan Chinese have not come to love the Malayan administration more because they like Peking less. The Malayan Chinese Association (MCA), like the Indian National Congress a half-century before it, did start as a pro-government movement. It was launched in 1948 by Sir Cheng-lock Tan, with Mr Malcolm MacDonald's encouragement. It was meant to be a focus for the "loyalists" among the Malayan Chinese, particularly the businessmen, when the predominantly Chinese Communists had taken to the jungle and made all Malayan Chinese slightly suspect. The MCA played an important role in resettling some 500,000 Malayan Chinese squatters in the "new villages." It picked up confidence as its coffers filled with the proceeds of its gigantic lottery and its representatives found they were more effective in resettlement work than were government representatives.

This new self-confidence made them hold back when Mr MacDonald encouraged Sir Cheng-lock Tan to join with Dato Onn in forming the Independence for Malaya party (IMP) as a moderate, non-communal party to which political power might one day be transferred. The MCA found it had strong political muscles when it flexed them in the 1951 Kuala Lumpur elections. It then swept the board in alliance with the United Malays National Organisation (Umno), which had become less restrained after the withdrawal of Dato Onn and his friends.

Tungku Abdul Rahman, the present leader of Umno, blames this alliance of supposedly antagonistic communities on the Colonial Secretary, Mr Lyttelton. In his 1951 visit to Malaya, Mr Lyttelton assured Malayan leaders that Malaya would be given its independence as soon as the

Malays and Chinese showed they could get on together. More cynical observers feel the MCA-Umno alliance is opportunistic and based on the common desire of both organisations for early elections and fairly early self-government. With the departure of Dato Onn and other senior, aristocratic administrators, Umno has increasingly come to represent the Malay peasantry and youth. Apart from the contagion of nationalism, particularly from Indonesia, some Umno leaders feel early independence will help the Malays. With the present Malay domination of the army, police and administration, they feel that Chinese and European economic predominance could be cut down by nationalising the tin mines and rubber estates.

Some of the MCA leaders, particularly Col. H. S. Lee, a wealthy tin mine owner, clearly have a different picture of an independent Malaya. The MCA's present position is a product of long-distilled resentments. Malayan-born, English-educated professionals resent their almost automatic exclusion from top-bracket civil service posts. The large number of Chinese-educated teachers in Chinese schools resent very strongly the belated establishment of national schools with English as the means of instruction—leaving them without much future and pushing to one side a culture in which all overseas Chinese take much pride, if not too much pains. The Malayan Chinese businessman—like all businessmen—dislikes administrative control. In Malaya he attributes its quixotic impositions to the anti-Chinese attitude of its British-headed administration. For example, the patent medicine millionaire Aw Boon Haw complains through his *Singapore Standard* if the Singapore government will not allow tax exemption on a pagoda or puts a steep valuation on a godown.

However divergent the sources of the nationalism of the Umno and MCA, in alliance they have demonstrated themselves to be the most powerful political movement in Malaya today; they have succeeded in virtually every election they have entered. Their confidence was reflected at their convention in August when they demanded elections to the Federal Council in 1954, as the first major step to independence within the Commonwealth. They are also entering this winter's elections in Singapore.

The Malayan government has shown its concern with the MCA's growing strength and antagonism by closing down its highly profitable lottery. Even more flattering has been the emergence of the competitive Malayan National Conference. Convened by the *Mentris Besar* (Prime

Ministers) of the Malay states, this largely represents Malay officials in the administration. Its unofficial leader is Dato Onn, who has apparently stopped trying to blow life into the IMP. The conference shows no desire to face the electorate, preferring gifts from above rather than pressure from below. It would be "a mockery of democracy," the conference decided in August, to "force elections" for the Federal Council before 1956 at the very earliest. The reform it proposes is the expansion of the present appointed Federal Council from 75 to 90 members.

This perpetuation of government from above is opposed not only by the powerful MCA-Umno alliance but also by the fledgling Pan-Malayan Labour party. Although at present this has little more than enthusiastic leaders, it is expected to be strengthened by the pending removal of the ban, imposed at the suggestion of a British trade union adviser, forbidding Malayan trade unions to contribute funds to a political party. The party at which this ban was aimed—the Communists—are still trying to escape from the insurrectionary *cul de sac* into which they got themselves in 1948. They have been able to sustain their numbers—5,000 under arms—but quality has declined as veterans are killed or surrender and are replaced by callow youths from the *Min Yuen* auxiliaries. They have changed their tactics to cut their losses, but these mount slowly but steadily as the government forces gain in experience and armaments. Malaya's Communists would like to transfer their mischief-making capacities to the political and trade union fields, particularly during a period of increasing economic stringency. But this would demand an amnesty; and the Malayan government does not seem to have as much confidence in its own ability to handle such a new situation as did the Indian government when the Hyderabad Communists laid down their arms to fight the elections.

Soviet Economy After Stalin—IV

The Customer is Partly Right

THE Soviet standard of life has been generally viewed up to now through two distorting pairs of spectacles. Soviet propaganda has spoken of the "workers' paradise" and contrasted it with the wretchedness of living conditions in the West, while American commentators have been eager to disprove such nonsense. In doing so, however, they often ignored or played down the very low level from which the Soviet experiment started, the calamities which plagued it, and last but not least the stress laid in the Soviet Union on the development of basic production. Because they boasted instead of pleading their case realistically, Soviet propagandists have hitherto invited comparisons with the West that were bound to be unfavourable. Now, however, Soviet statesmen have recognised that the consumer has been neglected for the sake of the development of heavy industry, and that with the present Soviet economic potential something must be done rapidly to improve his lot. It is therefore worth while to see how much the average Russian has already got from his country's greatly increased national cake and what he is promised for the near future.

To assess and compare standards of life is always a difficult task, but particularly so in the case of the Soviet Union where one is working under the additional handicap of scanty statistical evidence. The method of comparing

wages and prices yields little since the Russians have ceased supplying data on average wages. Besides, some low prices conceal the very poor quality of the service rendered (for example, rent for housing), while other prices have little importance in view of the scarcity of certain commodities (such as motor-cars or television sets). All that can be gathered from Soviet figures is that the average Russian is now somewhat better off than before the war. From the available evidence it would appear that the average wage is now somewhere above 7,000 roubles a year, i.e. about three-quarters higher than in 1940. The price level does not seem to have risen in the same proportion.

This view is confirmed by the alternative method of calculating average consumption per head. This method is also fraught with great difficulties. It is necessary, among other things, to estimate what proportion of the peasantry does not get its foodstuffs on the spot and to what extent supplies to the state are supplemented by sales on the free—or so-called collective—market. Still the figures quoted below can serve as a rough yardstick of urban consumption of foodstuffs and general consumption of industrial consumer goods. The Russians are getting an increasing ration of fats fast approaching Western standards. Consumption of sugar is also rising fast, but at less than 40 lb per annum it is still less than half the British level. Figures of meat consumption are contradictory and range from less than 40 lb to over 65 lb per annum. Yet even the higher figure is still less than half the American standard and about two-thirds of the British and French level. This is already quite an achievement for the Russian consumer. He is not, however, so well off with milk and even for this year he is not promised more than one egg per week.

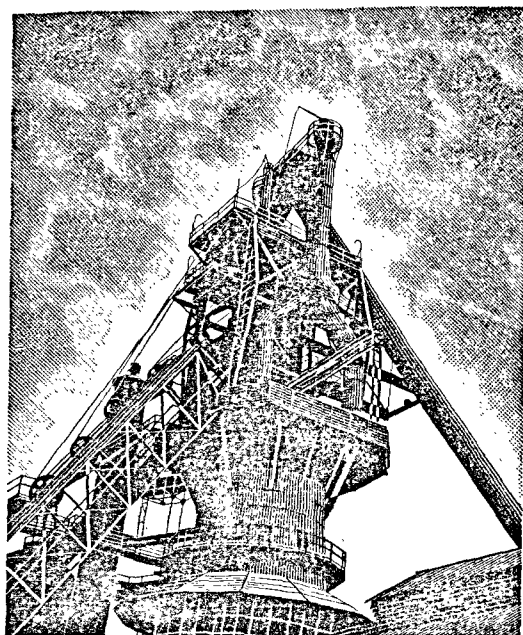
SOVIET PER CAPUT CONSUMPTION OF FOODSTUFFS (lb)

	1940	1945	1950	1953 Plan	1955 Plan
Sugar	25	5	28	38	46
Butter	6½	3½	8½	10	13
Vegetable fats...	12	4½	15	17	21
Margarine	4	...	5½	8½	9½

There is a curious contrast between these claims of increased supply of foodstuffs and the gloomy picture of livestock stagnation painted by Mr Khrushchev. This may be partly explained by a better utilisation of available resources, but it must also mean that an increased share of agricultural production has been taken over for use in the towns. On the other hand, there is no reason why, with a rural population of over 120 million and with the projected increase in agricultural investment, supplies of foodstuffs should not improve fast. The bread problem has apparently been solved and consumption of meat and dairy products should next be stepped up and the vegetable varied.

The real challenge to the planners, however, lies in the field of industrial consumer goods. Here the average Russian is only now beginning to get the rewards he had been promised for 1942 and which were wiped out by the war. This still leaves him far behind his American or even British counterpart. The Russian should soon be getting about three pairs of shoes every two years, while the average American or Briton is already receiving that quantity every year. This is probably a fair yardstick. A comparison of cotton fabrics—not taking into account the quality—would be more favourable to the Soviet Union; of woollen goods

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P10

WORKERS IN THE TEAM

Number 4 in a series

Barnabas Siankombo, a member of the Tonga tribe, was born at Simwambwa, in Northern Rhodesia, twenty-one years ago.

Now, he drives a big diesel tractor and scraper which can excavate and carry hundreds of tons of earth in a day.

For nearly four years Barnabas has been with the same team, helping to build the first modern all-weather road linking the capitals of Northern and Southern Rhodesia. He has learned to handle the powerful machines efficiently—and that is no easy matter in virgin mountain country. On the hottest, dustiest day he goes cheerfully on with the

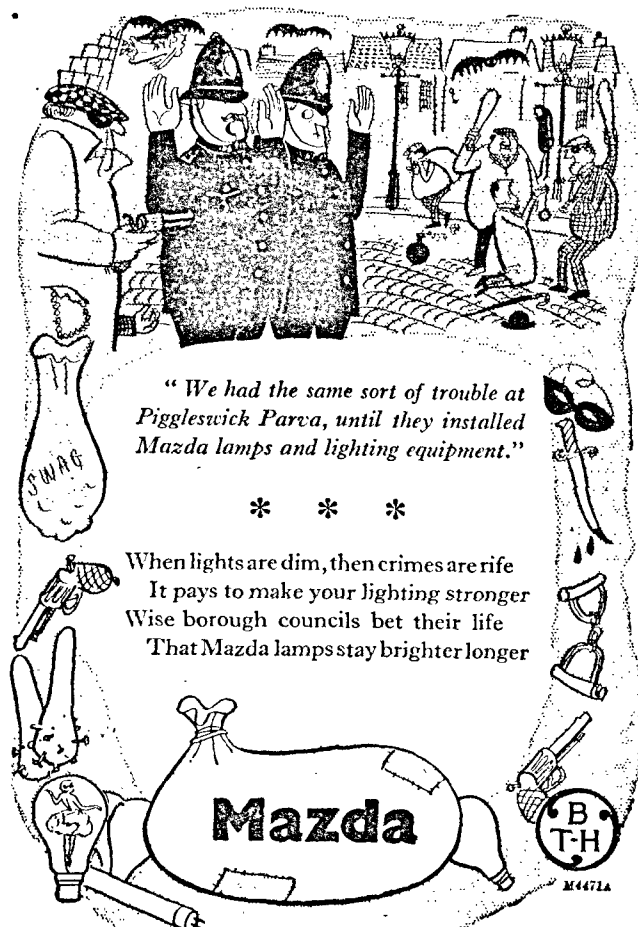


job, for he is happy and proud and feels that his work is worth while. It is more important than he knows, for the road he is helping to build is part of a great scheme that will mean much to Central Africa.

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much less favourable; and the gap widens the further one goes up the luxury scale.

Obviously, however, the average Russian does not measure his satisfaction by statistical comparisons with Western countries. Looking back at the dismal years of war and its immediate aftermath he cannot fail to feel better off. Even a small share of the increment in the national income has meant a great deal to the mass of consumers. At the same time, and partly because they have left the semi-starvation level behind, the consumers seem now to be pressing with their promissory note for greater comforts which has not been honoured for so many years. And what is more, the government behaves as if it were aware that it cannot delay the payment much longer. Already during the current plan each Soviet family should get a clock or watch. But if production is not stepped up there will be only one sewing machine for every tenth family and one bicycle for every thirtieth citizen. The demand for these and similar semi-luxuries is insatiable and the buyers are also apparently clamouring for better quality goods.

SOVIET PER CAPUT CONSUMPTION

	1940	1942 Plan	1945	1950	1953 Plan	1955 Plan
Cotton fabrics (yds.)	20	28	9	19	25	28
Woollen fabrics (yds.)	0.6	1.0	0.3	0.8	1.0	1.2
Leather shoes (pairs)	1.0	1.3	0.3	1.0	1.2	1.5

This in turn sets a poser for the planners. Should they concentrate on producing luxuries for the few or improve the standard of goods of general consumption? After Stalin's death many argued that the privileged bureaucrats and managers would be still better off and the discrepancies in Soviet society widened. It appears, however, that under pressure from below, the government now tolerates more appeals for cheap but well-produced goods for the masses. Typical of the new mood was a *feuilleton* published some time ago describing the wanderings of a newly wed Moscow couple in search of furniture. They were shown around most impressive displays, but could not find anywhere a single room suite. Is it forgotten, the author questioned, that most families do live in one room?

Housing indeed is the Russian town-dweller's worst headache. One hundred million square metres of floor space were built or rebuilt in the towns during the five years after the war. The tempo of building was then quickened and over 50 million square metres have been added during the last two years. Yet taking war damage into account, even this does not give more than about 4 square metres of floor space per person.

Thus something has been done for the consumer in the Stalinist era, but the bulk is still to be done. The Soviet Union is neither a hotbed of discontented radio listeners peering enviously across the curtain at their luckier Western brothers nor is it a paradise of happy and contented workers. It used to be said in the thirties that it is easier in the Soviet Union to get a tractor or a machine tool than a needle or a suit. At this cost a powerful industrial machine was built in a short time. Now a Russian can get a needle or a suit more easily. In fact he is slightly better off than ever before. But he has by no means reached a standard of life worthy of the citizen of the second industrial power in the world. He has not even reached the level which used to prevail in, say, Weimar Germany. With a powerful engineering

industry at its disposal the Soviet government could launch a race with the West not only in tanks and machine tools, but in consumer goods as well. This is indeed what Mr Malenkov implied and there could be no better opportunity for the new regime to strengthen its popularity. Will Mr Malenkov, however, feel justified in carrying out the industrial reorganisation necessary to keep his pledge or will the rewards of those who labour to industrialise Russia continue to be doled out by the planners drop by drop?

(Concluded)

Algerians in France

FROM A CORRESPONDENT IN PARIS

THERE are today 300,000 Algerians in France, of whom 100,000 are unemployed and, to quote the Minister of the Interior, M. Martinaud-Deplat, "only about 60,000 are satisfactorily housed." It is not therefore entirely surprising that these Africans, removed from their accustomed milieu and often workless, provide an acute problem not only for the Ministry of the Interior but also for the police, and that during the past two and a half years they have been involved in eight serious disorders as well as hundreds of less grave incidents.

The French government believes that the worst of these incidents, that on July 14th last, was directly inspired by the Communist party, through the MTLD—the *Mouvement pour le Triomphe des Libertés Démocratiques*—an extreme left wing organisation of which the membership is mainly North African and which maintains close contact with the Communist-controlled *Confédération Générale de Travail*. But whilst it is true that many unemployed Algerians gravitate to the Communists, it is incorrect to try to find a political basis for troubles that are essentially economic. Similarly, although Algerians who find work are persuaded to join the CGT on the grounds that it is the only syndicate which defends their interests, they are equally welcomed by the Socialist *Force Ouvrière*.

Since 1947, when the Algerian Statute was signed, Algerians have, in theory, enjoyed all the privileges and obligations of French citizens. They are free to enter and leave the French mainland at will. This is a privilege not shared by Tunisians and Moroccans, who can only enter metropolitan France as *bona fide* students or workers holding special permits and with contracted work awaiting them.

The influx of Algerians comes principally from the more congested parts of the territory, and its principal cause, therefore, would seem to be the growing ratio of births to deaths and the ever diminishing area of cropped land per head of the population. But other powerful causes are discernible not in Algeria itself but in metropolitan France; the better salaries and allowances of which there is—or has been—promise there, and the deliberate demand for overseas labour created during the immediate postwar years in order to make good the loss of Italian labour in the south of France. By and large, the majority of Algerians cross the Mediterranean with the sole object of making money. They live frugally so that they can make an allowance to their wives or families in Algeria and save as much as possible of their earnings so that they can return home and eke out their meagre livelihood with their savings or perhaps buy a small business or more land.

Seven years ago when Algerians began pouring into France there was considerable sympathy for them. They

were called the "pilgrims of hunger" and certain municipalities and large industries were glad to have them, for they willingly accepted the dirtiest, lowest paid and most unpleasant jobs which in many cases European Frenchmen would not then take on. But as the tide of invasion has mounted the attitude has changed. The figure for arrivals rose from 83,500 in 1949 to 148,900 in 1952, and, in the winter of 1952-3, jobs for metropolitan Frenchmen grew scarcer. There is therefore far less sympathy today for what is now generally called "this lamentable invasion." There is a widespread but inaccurate belief that once an Algerian has established himself in France he does not wish to return to his own country and former way of life. Reliable statistics are lacking but from a check made at all ports, it emerges that almost as many Algerians return home each year as enter France to seek their fortune. In 1952, while 148,911 Algerians landed in France, 134,083 returned to Algeria.

Lure of the Left Bank

Paris estimates that there could be steady employment in France for around 100,000 Algerians—who could remit money to their families at home. In 1949 (latest statistics available) 125,000 Algerians sent fcs. 4,500 million back to Algeria; this very considerable sum represents some fcs. 35,000 per head and it is said that the post office at Fort National in the mountains of Kabylie, handles more money orders annually than any post office in France. The total would be larger except that, even in semi-official employment, Algerians rarely obtain the same wages as other French citizens. Many small firms, restaurants and cafés will employ them at cut rates on condition that the employer does not pay social security taxes for them, estimated at nearly 50 per cent of the total wage bill. And, of course, in times of economic depression, it is always the Algerian who is the first to be paid off. At the same time, a poll in a large industrial firm (Renault's) disclosed that 85 per cent of the Algerian employees were considered "satisfactory" and 25 per cent "excellent." There might have been a greater tendency to "train on" these 25 per cent of excellent workers for better jobs, but it has been found that Algerians rarely remain for more than three years with the same establishment.

There are some indications that this high rate of turnover could be altered if desired. The government, through the ministries of labour and education, has set up eight training centres for Algerians who are not only unskilled but "unused to city life," and there is already a list of 12,000 waiting for admission. But there is little doubt that the most serious deterrent to a long stay is lack of housing. Of the 138,000 men in employment at the end of 1952, only 49,000 were housed, 41,900 of them by employers and 7,000 in government or municipal hostels. But even here the quarters assigned to them are vastly inferior to those provided for *Français de France*. Medical treatment, of course, is supplied on equal terms; the fact that sometimes as many as 15 per cent of the free beds in French hospitals are occupied by Algerians can be directly ascribed to malnutrition and insanitary living conditions, not only in Algeria but in France.

Those who do wish to remain for ever in France are chiefly the intelligentsia, the small minority of literate and sometimes highly educated Algerians who are fascinated by the bright lights of the Latin Quarter and the intellectual and emotional stimulus of life in Paris. They may be

desperately poor, unemployed, homeless, but, after Paris, nothing will drive them back to the duller life in North Africa. They have become misfits, and it is from amongst this class that many of the petty criminals, whose exploits fill columns in the French newspapers, are drawn. Now that jobs are scarce, Algerians turn out to be misfits in other ways. Although there is supposed to be no colour-bar in France and the streets and cafés of the Latin Quarter are full of dark-skinned North Africans out with white-skinned French girls, there is a growing discrimination against them in more bourgeois parts of Paris. Algerians feel the slight more acutely than do other members of overseas France because they are full French citizens.

Paradoxically, few of the ex-students are interested in French politics or attracted by the ceaseless blandishments of the Communist Party. The 2,000 or so who can be relied upon to take an active part in Communist activities are drawn from the semi-literates who can with difficulty read the French newspapers and write a little French or Arabic. A far greater number do, on the urgings of their own leaders, turn out in purely nationalistic parades or demonstrations, for their stay in France and their obvious attachment to the French way of life seems to heighten rather than decrease their desire that their own country should be independent. This desire is cleverly used by the Communists who do not care what banners the North Africans march under, what slogans they shout, so long as they swell the numbers at any Communist rally. For the nationalist-minded Algerians—or for that matter Tunisians and Moroccans—it is far easier to participate in a parade organised by the Communists than to arrange one of their own—and so they fall into the trap and help to intensify the popular belief that these "nègres" are all Communists anyhow. The new class that they form—that of a lower-paid proletariat—is not yet a force in Metropolitan French politics, but might become so if the Communists were to produce tactics that would capitalise its discontent on their behalf.

New Deal for Yugoslav Farmers

FROM A SPECIAL CORRESPONDENT

IN a speech last week at Ruma, in the Vojvodina, Yugoslavia's richest agricultural region, President Tito admitted that agriculture had been "neglected" because, he said, "of the force of circumstances." In fact the circumstances which forced this neglect were the mistaken belief that industrialisation could be pushed through rapidly without a parallel development of agriculture. The fallacy of this belief has now been demonstrated. It is clear that as industry develops, it absorbs much of its own profit in reinvestment, and that during the period of its development economic viability must depend on agricultural exports. In short, agriculture must help pay for industrialisation and it cannot do so if neglected. Now that this basic truth has been accepted, a new policy is being put into practice.

Agricultural policy in Yugoslavia has fluctuated between the economic realists who know that food has to be produced and will not be forthcoming without a compromise with the peasants who demand their capitalist profits and the ideological extremists who believe that in the Marxist state "profitability" must be abolished and the peasants made to conform. For the first five years of Marshal Tito's regime the ideologists were in the ascendant. Investments went to

industry; peasants were dragooned into forced deliveries to the state at low prices (the OTKUP); co-operative farms were established and those who refused to join were crushed under a monstrous weight of taxation to prevent them making profits. The result was a foregone conclusion. Production dropped, land went out of cultivation, numbers of livestock decreased or failed to increase. A peasant in the Vojvodina recently put the matter in a nutshell—"If I have one pig I am a poor peasant; if I have two I show a capitalist profit. It is better to eat one quickly."

The most surprising, and to the government most disappointing development of these years, was the failure of the "Peasant Working Co-operatives," which were to be the "socialist" solution for agriculture. Between 1947 and 1952, 6,000 of them were founded, but when at the beginning of this year it was announced that peasants might leave the co-operatives, the rush to get out was so great that according to Marshal Tito's figures only one-third of the co-operatives now remain. This was not only because many peasants had been forced to join against their will, but even more because many co-operatives had been a hopeless economic failure. It was the poorest, least hardworking, least skilled and least knowledgeable people who had joined co-operatives where they tended to work and produce even less than in private life.

Blow to Carpetbaggers

Even more important was the official neglect of agriculture. Because industrialisation was the main aim, foreign currency, even foreign aid and credits, were not made available for the machinery, livestock, fertilisers, etc., which had to be imported if co-operatives were to flourish. All the best brains and organising ability were assigned to industry, and agriculture had to get on with the leftovers—and that meant for the most part the untrained, the ignorant and a lot of carpetbaggers who had joined the Communist party for soft jobs. All this, coupled with a policy of easy internal credit for co-operatives, meant that if and when true figures could be arrived at, most co-operatives would show a deficit—in some cases an enormous one.

The decision to allow peasants to leave, and to liquidate the uneconomic co-operatives, was a courageous one and a triumph for the economic realists. The landslide that followed the decision was a severe blow to the staunch Marxist ideologists and a sharp awakening for those who had soft jobs. It was probably to please these—the discontented and the idealists—that the decision was then taken to reduce all holdings to a limit of ten hectares. In fact this had more political than economic significance as, except in the Vojvodina, only a very small percentage of the peasants were affected. And then, having cleared the decks for action, the new policy was announced.

According to Tito's speech at Ruma, 640,000 million dinars is to be invested in agriculture in Yugoslavia in the next ten years (compared with 116,000 million invested in industry in the past five years). Immediate benefits are tractors—of which Marshal Tito says Yugoslavia now has 9,500 out of an estimated need of 45,000; livestock, including breeding pigs, poultry and cattle; equipment for bacon factories, slaughter houses and refrigeration plant; seeds, fertilisers, pesticides, irrigation plant both for land reclamation and for drought control. The object of this investment will be to step up production and to prevent

waste. The realism of the new approach is nowhere more apparent than in the reasonable target of a 50 per cent increase in production over the next ten years. President Tito spoke at some length about waste prevention and said that in addition to refrigeration plant, food processing factories are to be established. But waste cannot really be prevented until the communications system and methods of collection and marketing are modernised. This forms part of the new ten-year plan.

The aspect of the new policy most discussed in the villages at present is the new taxation system. Last year the government took 18,000 million dinars in taxes from the peasants—mostly from private peasants; this took away the profit that might have been used for reinvestment and acted as a disincentive to more productive farming. The worst aspect of the system was that taxation was retrospective and assessed on estimated (often a hostile estimate) earnings. Now taxation is to be based on the landholding and assessed in advance; if the peasant produces more he will keep the profit himself. Credits are now available through the general co-operatives to private peasants—the state farms and the remaining workers' co-operatives have their own methods of obtaining loans. The general co-operatives to which 90 per cent of all peasants belong are having something of a renaissance. They are developing their activities (until now somewhat limited since the war) and are being organised more on specialist lines so that in addition to buying and selling co-operatives on the prewar model there

The Economist

1843-1943

This book was originally published to mark the centenary of the first issue of *The Economist*, which appeared on September 2, 1843. Owing to wartime restrictions, the edition had to be a small one, and it went out of print almost at once. It has now been reprinted and the new edition was published on September 2, 1953, the paper's 110th birthday.

In addition to chapters dealing with the history of *The Economist* and with the role that it played in its first century of publication, the book contains contributions by a number of distinguished individuals, including the following:

WALTER BAGEHOT
by the late Francis W. Hirst.

The Economist AS A SOURCE FOR THE HISTORIAN
by the late Sir John Clapham

A POLITICAL RETROSPECT
by Sir Llewellyn Woodward

The Economist, 1843-1943 is published by the Oxford University Press. Copies can be obtained through any bookseller.

Price 8s. 6d. net.

are now new co-operatives for special purposes—cattle-breeders, pig-keepers, viniculture, etc. This is more in line with modern development in agricultural co-operatives in western countries.

Three-quarters of Yugoslav farming is still in the hands of private peasants; if agricultural output is to be stepped up by 50 per cent it is they who must contribute the major share and for this they need two things—incentives and security. The new policy seems to offer both these things, but it is important that it should be maintained for some years so that the peasants may recover the confidence and stability lost by the frequent changes of policy towards them over the past eight years. In the villages in Yugoslavia today there seems to be an undercurrent of hope that this may be so and there is an atmosphere of greater confidence and optimism than at any time since the war.

China Prepares for Elections

THE time-table for elections for the People's Congress in China has been extended; the Government has now decided that the preliminary local elections cannot be completed until next April and it thus seems unlikely that the Congress itself can be convened before the autumn of 1954. From the comment in the Chinese press on the preparations which have been going on, and on the "experimental" elections which have been held, it appears that the task has proved to be one of some political and administrative difficulty. In one sense, of course, there is no problem; the Peking government does not have to worry about how to win the election because there will be no opposition. Official publicity constantly affirms that the entire people "loves and supports" Chairman Mao, and no election can be anything else but a demonstration of this love and support.

But because such elections are not really elections at all by Western democratic standards, since there is no possibility of challenging the government in power, it does not follow that they are unimportant. Elections under a totalitarian regime are not merely goals for propaganda; they are themselves propaganda whereby the electorate is persuaded to believe in what it has voted for.

The electoral system in the Chinese People's Republic differs from that now in force in the Soviet Union, but resembles that which existed in the Soviet Union before 1936, in that elections to the national legislature are to be indirect and not direct. Indirect election is evidently considered the more suitable one for the initial phase of development of the party-state, when power is not yet fully concentrated and consolidated and the revolution still retains something of the character of a popular movement. Indirect elections make it possible for the masses to exercise some influence on the choice of candidates at the lowest level, and thus gain a sense of genuine participation in politics, while enabling the party leadership to weed out undesirables at the later stages of the process and thus make sure of a rubber-stamp assembly at the top.

The disadvantage of this system from the point of view of the ruling clique in the party is that it gives too much power to local party bosses whom it is difficult to control; when tens of thousands of local candidates are involved, it is not as easy to arrange everything from the centre as when it is a matter of drawing up a single list for direct

national election. Time tends, therefore, to bring a transition from indirect to direct election, as part of the tendency towards more complete central control which is characteristic of the development of a totalitarian state.

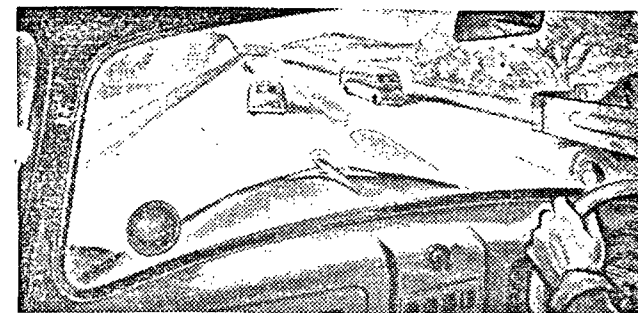
In China the basic-level elections are to be in village and municipal districts. They are not all to be held at the same time, but are to be spread out over a period of months; in general, elections in the towns are to be held earlier than in the villages, the reason officially given being that the peasants will have more leisure after the harvest, though the procedure has also the advantage from the Communist point of view that the results in the towns, where political control is more firmly established, can be used to set an example to the peasants. After the basic-level elections have been completed, deputies will be elected from the primary units to county, municipal and provincial congresses, and finally from these to the All-China People's Congress, which is to be the national parliament.

"Race With Only One Entry"

Much energy is being put into the task of electioneering. According to Peking radio more than 75,000 workers, peasants, civil servants and students have been recruited in Manchuria since May for election work; after a period of training they were sent out into all parts of that region "to lead the election campaign." Manchuria, as the part of China where Communist economic policies have been so far most fully put into effect, has also apparently been foremost in the demonstration of political duty. The city of Peking itself is to be another pace-setter; "experimental" elections have already been carried out in selected areas of the city and its suburbs "to gain experience."

Reporting on these experiments, Liu Jen, chairman of the Municipal Election Committee, recently declared that discussion of the list of candidates was the key for expanding democracy; the Election Committee should guide the electors in free and thorough discussion of the list and finally decide the formal list in accordance with the will of the majority. Since all Chinese citizens will have vivid memories of the sanguinary "accusation rallies" of the last three years and the great numbers of persons who have been executed or sent to forced labour camps as "counter-revolutionaries," it may be anticipated that the "guidance" given by the Election Committee will be considerably more in evidence at the public meetings than the "freedom" of the discussions. But the forms will be duly observed, and if hypocrisy is the homage which vice pays to virtue, it is at any rate a remarkable tribute to the ultimate power of the democratic idea that so much trouble should be taken to create the appearance of free choice.

The contradictions of this "race with only one entry"—as Mr Attlee recently called it at his press conference in Belgrade—are no greater in China than in eastern Europe, but they are perhaps even more remarkable there because the Chinese people as a whole has hitherto been so little touched by democratic ideology, and it would be so easy to declare official candidates returned without all the elaborate electioneering now in progress. If even in China there must be this ritual of appealing to the electorate when the result is determined in advance, it is because Communism always seeks not merely to gain and hold political power, but also to indoctrinate the whole population under its sway, and in this process the holding of elections can play a very important part.



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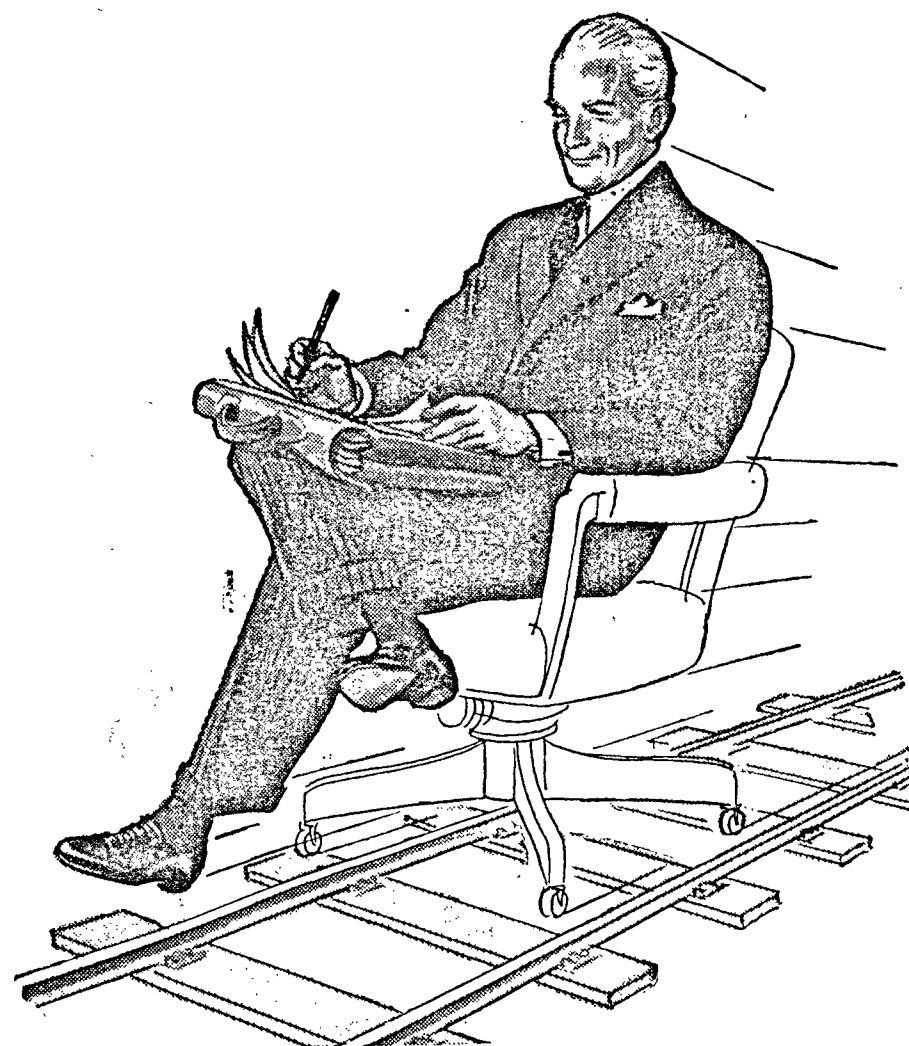
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THE BUSINESS WORLD

Bulls in the Market

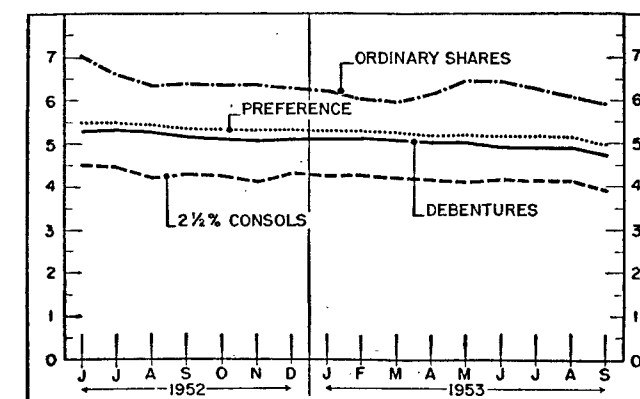
WHEN the Stock Exchange temperature rises from simmering to seething, innocents are apt to get scalded. During the summer, buyers of ordinary shares have watched the *Financial Times* index rise from its low point of 113.9 towards the end of May, break through the early-March high of 125.0, and bound up to a new peak of 128.5 last Friday. Nearly fifteen points in little over four months is fast going. Is it too fast? The market's answer this week certainly showed that it wanted a pause after its breathless ascent of more than a couple of points in a single week. When the weekend lambs, bringing in so many orders that the number of bargains marked on Monday touched 12,250, did not succeed in moving the index by a fraction of a point a temporary shake-out, at least, was bound to follow.

This, then, is a boom with a question mark. There has been little time for questions when one of the most certain ways of making money has been to job in and out of Great Universal Stores, or to pick up the latest breeze of a rumoured offer and sail comfortably home with a profit before it is denied. The game of "spot the offer" has been fast and furious, and it has mattered little whether the offer was admitted, denied, undisclosed or simply never made at all. By comparison with some earlier—and genuine—offers where a buyer could see an opportunity to turn undervalued real property into hard cash or to buy his way into an existing business (usually a store business) on advantageous terms, the recent stories, half-truths and plain fabrications have shown all the mark of speculative excess. In some sections of the share markets the background of boom has been scarcely more restrained than it was at the beginning of 1947 when the cheap money drive was over-reaching itself. The *Financial Times* index itself is now only thirteen points below the dizzy heights that it then reached. And bad habits are

spreading well beyond the fringe of "special situations" in unfamiliar shares in the property and store lists; Union-Castle modestly acknowledges a toast to its centenary with one hand, and with the other fends off fictitious "bids" by P & O and by United Molasses that have never in fact been made.

Regrettable though all this may be, it is part of the price of having a securities market; to say that the Stock Exchange should stop it (if it could) is in fact to deny the need for a market at all. There are, indeed, more serious grounds for alarm among those whose memories can job back to 1929, for then speculators not only

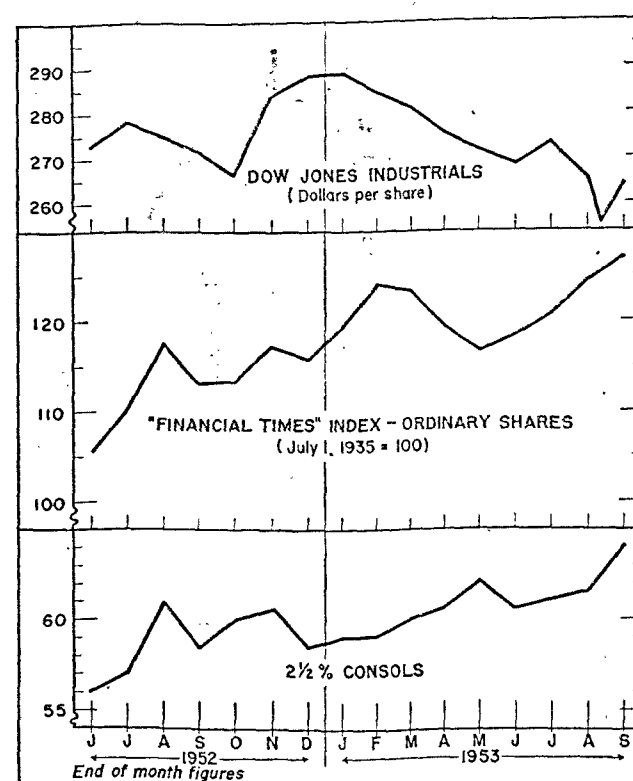
THE SPREAD OF YIELDS



burned their fingers (as many present-day speculators assuredly will) but also set fire to a highly combustible economy. No parallel drawn over a quarter of a century and a world war is likely to be very exact, and there are many ways in which economic conditions are wholly different today—among them the absence of the crazy inverted pyramids of credit that then tottered at a touch. But any serious investor in British equities has first to convince himself that Wall Street this year has not been giving a more accurate signpost to the way ahead than

London has been giving. The significance of the Dow Jones average has been easy to read this year; it has reflected the state of a market, once its election enthusiasms had abated, that was plainly fearing some slackening in American business activity during the next twelve months. But of what dimensions? If the average falls two dollars a day, the cry of "slump" goes up; if it recovers, some people begin to think that there may not even be any slackening. The only inherently probable conclusion is that even the American economy could not indefinitely stretch out at the fantastic pace it showed earlier this year; some fall in demand for consumers' durables and in industrial investment is only to be expected. Translated into British terms, an adjustment that left the American economy

INDUSTRIALS—WALL STREET AND LONDON



some slight distance below the peak reached in the second quarter of this year would still be painful. Cuts in American costs would be sharp and complete; here they would be lingering and partial—with so much the less chance of competing in the independent export markets and of avoiding another crisis for sterling.

It is risky, therefore, except on calculations over the shortest range, to take too much credit for the fact that Britain's industrial production is running about $7\frac{1}{2}$ per cent ahead of last year; it is not remarkably ahead of 1951 and it must be regarded as vulnerable to any change in the trade winds from the west. But on a strictly short-term outlook, this year's higher level of production promises to provide some truly remarkable profits figures during the spring and early summer of 1954. Already there have been signs of what may be

in store: the ICI interim, with the confident interpretation that has been placed upon it; the great improvement shown by Monsanto between the second half of last year and the first half of this; the impressive signs of prosperity regained in the wool and cotton textile industries. None of this has yet convincingly appeared in published profits figures; indeed, the reports of 576 companies in the comparatively light quarter that ended ten days ago show a fall in trading profits of about 12 per cent, from £258.7 million to £228 million. But that result was for a composite year that ended somewhere near last March—a year that included the worst of the setback in production and the awkward price adjustments and stock losses that attended it; a poor comparison with 1951-52 was inevitable, but in six or nine months' time the comparison will be as inevitably buoyant.

In another direction, speculative buyers are hoping—whether justifiably or not remains to be proved—for assistance from a further reduction in Bank rate. The reasons for keeping an entirely open mind about the direction of future changes in Bank rate have already been set down explicitly in these columns; but it is not logic that counts in this matter so much as the general expectation, logical or otherwise, about the future. And in the market, at any rate, a straw vote on the simple question: 3 per cent or 4 per cent? would show a comfortable majority for the possibility of a reduction. Since the middle of the year, the influence of interest rates on ordinary share values has been conspicuous; the blue chip yield basis is now $5\frac{1}{4}$ per cent or less, whereas little more than a year ago it would have been fully one per cent more. In the same period, moreover, the first-class 5 per cent industrial debenture has given place to a rate little more than $4\frac{1}{4}$ per cent, which still has a strong appeal—as the reception of this week's issue of the Babcock and Wilcox debenture has demonstrated.

To find the best in debentures and industrial preference issues now involves paying a stiffer price than was demanded a year ago. For a time, the midsummer fall in equities—based primarily on sentimental ideas about a sudden outbreak of real peace throughout the world—lifted the running yield on representative ordinary shares somewhat beyond the normal margin between equity and fixed interest yields. The argument for holding bullish views about equity stocks over the next six months or so must rest partly on a wider margin than now obtains, by virtue of increased dividend payments. On present indications, there is every likelihood that some such hopes will be realised. But while boards of directors are generally prepared to increase their ordinary dividend recommendations when the outlook for profits is good—they have done so in the latest quarter in disregard of the past year's fall in trading profits—they might act a good deal more cautiously next spring if, by that time, there were more tangible indications of some setback in trade.

There is one other matter to which the bulls might give their consideration. In a short time, there will



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be a new supply of steel shares to compete with existing ordinary share issues. What is the yield differential at which a good steel share—and the first re-sales to the public will certainly include the good ones—begins to vie with the blue chip? If 5 per cent to 5½ per cent is the bracket that includes the best of the leaders, is a margin of 2 per cent sufficient to attract investment money on any scale into steel shares? It is not solely the private investor who is concerned—perhaps he may not be attracted at the most favourable price, since he would also be buying a threat of a second expropriation, it is the institutional investor whose purchases of steel shares, whatever they may amount to, are likely to be much more important. It may prove easily possible to exaggerate the extent to which the steel issues will challenge the existing basis of ordinary shares; if the terms were pitched unreasonably, they might not have any very great appeal. But if it is assumed—as in practice it must be—that every effort will be made to make the steel issues as attractive as possible, then some degree of competition is bound to arise for the funds

that would otherwise find their way into existing ordinary share issues. The shortage of the very best equities becomes daily more acute as each new quota finds its way into the deep freeze of institutional portfolios. The steel issues—depending always on their terms—could alleviate, temporarily at least, the acuteness of that shortage.

There are, in short, as many factors on the longer view to give the serious investor pause as there are on the shorter view to raise the spirits of those buyers who have now found themselves marooned on speculative reefs as a result of this week's fall in the tide. This may be a good time to be holding the best of the equities; for jobbing in and out of the best, even if timing is perfect (which it never is) is an expensive business. But it may equally be a good time for a review of equity portfolios of the kind that is always called for after a period of sharp advance. On all the signs, it may be better to be rid of the second class well before the end of the year rather than wait until afterwards.

Deficiencies in Dry Docks

MOST of the larger dry docks in the United Kingdom were built 40 or more years ago; the increasing size of merchant ships is beginning to reveal the physical limitations of the existing docks. The size of modern ships, and especially of modern oil tankers, has outstripped the capacity of many of the commercial dry docks built a couple of generations ago. A few exceptionally large dry docks were built at the principal passenger terminals of Southampton, Liverpool and London, to accommodate the exceptional dimensions of the prewar passenger ships, and the Admiralty provided floating and dry docks, strategically situated, to deal with the large capital ships of the prewar era. New warships and passenger liners are smaller today; but tankers, and many dry-cargo ships also, are getting bigger.

Even at the end of the war, after large numbers of American T2 tankers of about 16,000 tons deadweight had been built, the average size of the world tankers was still no higher than 12,500 tons d.w. The many vessels of 18,000 to 32,000 tons d.w. that have since come into service have raised the average size to about 15,000 tons d.w.; and tankers now under construction or on order, for delivery within the next five years or so, will average more than 21,000 tons d.w. In ship design, draught is the major limiting factor; a vessel must be able to pass through the Suez Canal or approach channels, and to come alongside its terminals. Increased capacity has therefore been obtained both by increasing the average vessel's length and breadth, and by increasing its breadth in proportion to the length.

The following dimensions of typical tankers in service show this trend at work:

TYPICAL TANKER DIMENSIONS

Tons d.w.	Length overall ft.	Beam ft.	Relation of length to beam (one-tenth of length plus x ft.)
12,000	487	59	48½ plus 10½
18,000	555	70	55 " 15
26,000	635	82½	63½ " 19
32,000	665	85½	66½ " 19
38,000	707	93	71 " 22
46,000	775	95	77½ " 17½

Except for the last vessel (a tanker of this size has been launched in Germany), increased capacity has been obtained by increasing the proportion of beam to length; beam measurements are absolutely and relatively much wider than they were. Twenty-five years ago there were only ten ships, including passenger liners, with a beam greater than 80 feet, and only 70 vessels with a beam between 70 and 80 feet. By next year, it is expected, there will be about 500 vessels with a beam of 70 to 80 feet, about 150 having a beam of 80 to 90 feet, and more than a dozen with a beam exceeding 90 feet. Tankers are still getting bigger and they may require dry dock facilities almost anywhere, whereas the larger passenger ships are generally in regular service between particular ports.

An impression of the sizes of dry docks and of the ships that have to use them is given in the diagram, which is based on a similar chart presented in a paper on "Large Dry Docks," read by Mr Leslie Champness

before the Institution of Naval Architects last March. It plots the size of privately owned or public dry docks in the United Kingdom with an entrance of 70 feet or more, either existing or planned. Naval establishments are not shown because they are rarely available for merchant ships; nor are certain exceptionally large dry docks. Foreign docks have not been plotted in detail, but a curve shows the average dimensions of all existing dry docks, British and foreign. Most existing dry docks in the United Kingdom fall below this line, though they are big enough to accommodate the dimensions of the principal passenger liners.

But the plot of typical tanker dimensions shows that existing British dry docks are not well placed for dealing with the larger vessels, particularly when allowance is made for a clearance of at least 5 feet on either side of the vessel. Docks with entrances of 75 feet and over have to deal with ten times the number of vessels that existed when they were built; and the increasing number of tankers with beam measurements exceeding 80 feet require at least 90 feet entrances. The 32,000-tonner needs a dry dock at least 700 feet long and 95 feet wide, and such minimum dimensions have been chosen for most of the new dry docks which are either under construction or planned. At present only three dry docks in the United Kingdom are large enough to take the biggest tankers now on the stocks.

Present plans for new dry docks in this country include three on the North-East Coast, two in South Wales and one on the Clyde, and others are under consideration, including, it is believed, one on the Mersey. The length of the proposed docks is known, though the entrance widths have not in all cases been revealed, but all will be wide enough to take tankers up to 32,000 tons d.w. The proposed dry dock at Greenock will be exceptionally large—1,200 feet long and 160 feet wide—and will remedy a long-standing deficiency in that area; the larger vessels built on the Clyde, as well as those built at Belfast, have hitherto had to go elsewhere, usually to Liverpool, for drydocking purposes before completion.

But these are plans. It would take two or three years to build them; and there are plenty of obstacles before building can start. It is difficult to find suitable sites in the principal ship repairing districts. And there is the important question of cost. At today's prices, without including the cost of land and necessary ancillary buildings and services, between £1 million and £2 million, according to the civil engineering problems at the site,

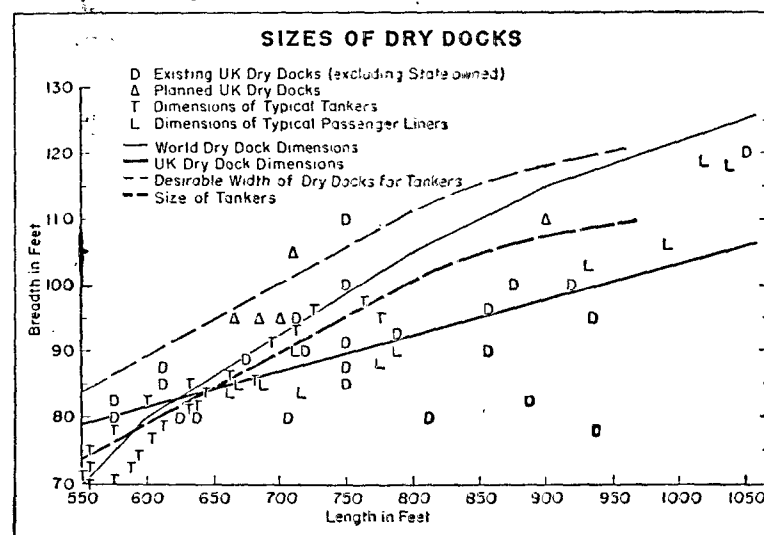
would be required to build a dry dock capable of taking vessels up to 32,000 tons d.w. The new Greenock dock may cost about £3,500,000, and that is comparatively low for its size because the site favours easy excavation. The Captain Cook Dock at Sydney, built during the war, is rather smaller than the Greenock project, but reclamation work and the necessary facilities brought its total cost to about £8 million. The prospects that a commercial enterprise could secure a reasonable return on capital outlays of this order on a dry dock are not rosy. Present charges for the use of dry docks are based on original construction costs, which were perhaps one-fifth of present costs; at present rates, continuous occupancy of a dock by large tankers would not bring in more than about £90,000 gross per annum, from which operating and maintenance expenses must first be met. But full occupancy is rarely achieved, and a net return of about £35,000 per annum would be considered good at prevailing rates. Even if capital expenditure on a new dock were as low

as £1 million, such a return to meet depreciation and interest would be totally unattractive but for the fact that ownership of a dry dock would bring in ship repairing business that would otherwise go elsewhere.

While the need exists for dry docks capable of taking the larger tankers that are coming into service—and it is a need that applies to publicly as well as privately owned docks, since most of

the smaller ship-repairing firms have to use public docks for carrying on their business—they cannot be expected to be occupied wholly by the largest vessels. Much of the time, indeed, they may be uneconomically used for repairing or examining smaller vessels, for which smaller docks would serve better. It is possible to work on two smaller vessels in one large dry dock if both jobs take about the same length of time, or to use intermediate lock gates to carry out a long-term job in the inner section and routine short-term dockings in the seaward section. Such arrangements are not always easy, particularly in the smaller docks. But in the larger docks that are coming into service, there ought to be considerable scope for improving their occupancy; two or more intermediate gates would give greater flexibility in the number and size of vessels which could be docked simultaneously. Such arrangements make longer docks the more desirable, and access at both ends is the ideal.

Questions of occupancy and size for dry docks need



further study. They determine, in the long run, how best to meet the varied requirements of the shiprepairing trade. It may also be possible to put dry docks to new uses; on the Continent and elsewhere, they are increasingly used for shipbuilding, and this idea is now being developed in South Wales. By modern methods of prefabrication, more and more shipbuilding work is carried out away from the actual building berth, and it may become possible to reduce the time required for berth assembly so radically that a dry dock can be used for new construction as well as repair.

At the moment, however, British shiprepairers are at some disadvantage, particularly with competitors on the Continent, owing to shortage of drydocking facilities for the influx of larger tankers. This is partly an accident of timing, which time will put right. The comparatively sudden advance in the size of ships has come

when the majority of United Kingdom dry docks are approaching "block obsolescence." Their replacement has been delayed successively by the war and by restrictions on capital expenditure. Continental dry docks are generally of more recent construction, and more suitable for larger ships; they are taking advantage of their lead, and of their lower wage costs, to add floating docks, which are quicker to build, although they have a shorter life. There need be no despairing thought that the British shiprepairing industry is suffering a permanent setback through these causes. But if it is to overhaul its competitors, it will want better dry docks than now exist; and it will also have to secure the intelligent development of shipbuilding and shiprepairing technique and the sensible co-operation of labour before it can come forward with a clear conscience in search of the Government's support.

Business Notes

Success for the New Policy

THE first round of the Treasury's autumn refinancing has gone with a swing. When the list for the new 3 per cent Exchequer Stock, 1962-63, offered only for cash, closed on Monday, £341 million had been subscribed, or £41 million beyond the most optimistic guess hazarded last week. The result of the second round—the offer to holders of the £577 million of maturing Serial Funding Stock to convert into 1954 or 1957 stock—will not be known until next week, since the conversion remained open until today. But the size of the cash response has already shown the whole operation to have been a real success, since the amount of unconverted stock is not expected to be large. Hence the seemingly cautious tactics of omitting the March maturities of 1952-54 War Bonds from the operation have already been vindicated; after provision for the mid-November maturities, there is likely to be a substantial sum in hand towards the £412 million due in March. Moreover, there are promising signs of a cash demand for the new 1957 stock, formally offered only on conversion; so that in the coming weeks, by meeting this and other possible demands from their own portfolios, the authorities may be able to absorb considerable slices of the 1952-54 stock without net expenditure of cash.

Here, in short, is a practical tribute not only to the shrewdness of the detailed terms of the operation but to the wisdom of employing normal marketing tactics in the place of the pressures resorted to in 1951 and 1952. The entirely voluntary cash subscriptions to this nine-to-ten-year stock have actually exceeded the cash put up by "persuasion" for the three very short stocks placed last

autumn—the £317 million of 1953, 1954 and 1955 issues then made for cash (plus £719 million issued on conversion). It is important to note, however, that by no means all the £341 million came from banking or other outside quarters. Last year the formula indicated to the clearing banks for control of their liquidity ratios implied subscriptions by them to an amount approaching £250 million, whereas this year's voluntary subscriptions from the banking system as a whole are generally guessed at less than £200 million; and other outside subscriptions are

GILT EDGED YIELDS SINCE BANK RATE

	Sept. 16, 1953	Sept. 18, 1953	Sept. 30, 1953	Oct. 1, 1953	Oct. 7, 1953
2½% N.W. Bonds '52/54	£ s. d. 2 9 0	£ s. d. 2 7 6	£ s. d. 2 2 9	£ s. d. 2 5 9	£ s. d. 2 4 0
1½% Ser. Fund., Nov., '54	2 7 6	2 4 3	2 3 0	2 1 6	2 0 10
3½% Ser. Fund., Nov., '55	2 10 10	2 6 11	2 6 2	2 6 1	2 6 4
2½% Exchequer, Feb., '55	2 7 7	2 3 6	2 3 0	2 3 11	2 4 4
2½% N.W. Bonds, '54/56	2 10 2	2 7 8	2 6 6	2 6 11	2 7 2
2½% Ser. Fund., Nov., '57	...	...	2 8 10	2 8 7	2 8 3
3% War Loan, '55/59	2 14 6	2 12 9	2 13 7	2 13 10	2 13 6
3% Exchequer, Mar., '60	2 15 9	2 14 2	2 14 3	2 15 4	2 15 0
2½% Funding, '56/61	2 17 7	2 15 10	2 15 1	2 16 4	2 16 7
3% Exchequer, '62/63	...	...	3 1 2	3 1 2	3 1 4
5% Sav. Bonds, '55/65	3 7 10	3 6 6	3 6 7	3 6 1	3 6 2
2½% Sav. Bonds, '64/67	3 11 9	3 8 11	3 8 8	3 8 7	3 8 6
3% Funding, '66/68	3 12 0	3 11 8	3 11 3	3 11 3	3 11 6

not likely to have been large. Hence the general assumption in the market is that the authorities themselves have put up around £100 million.

But this does not mean that the operation has been no more than ostensibly successful. To have secured some £250 million from a ten-year stock that is primarily addressed to the banks and other highly specialised

investors is a notable achievement. Their willingness to take such a stock reflects, of course, the more confident feeling about the future of interest rates that had been growing throughout the summer, a feeling that was then apparently justified by the Bank rate reduction—despite the official explanation that the purpose was to enable it to move flexibly “in either direction.” The banks have been influenced, too, by the desire to make good the loss of revenue implicit in the fall in advances rates, as well as by the fact that their high liquidity ratios left them scope to exchange some liquidity for a higher yield. The result will be some decline in these ratios, but a more modest one than was enforced upon them last autumn. Meanwhile, the attractions of the new stock—and, indeed, of the 1957 stock as well—have been plainly shown by the adjustments in the market. While the gilt-edged market generally has been steady to firm, the yields on the nearest competing stocks have been perceptibly raised.

Faltering Dollar Surplus

THE gold and dollar reserves rose by only \$17 million last month. The mid-September payment of \$15 million of gold to the European Payments Union was more than offset by the receipt of \$28 million of American aid, and there was a “residual” dollar surplus of \$4 million with non-European countries. This “residual” surplus,

TREND OF DOLLAR SURPLUS
(\$ MILLION)

	Gold payments (—) or receipts (+)			American aid	Change in reserves	Reserves at end of period
	EPU settlements†	Purchase of “arbitrage” commodities	Residual gold and dollar balance			
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
June, 1953...	+ 10	...	+ 8	+ 28	+ 46	2,367
July, 1953...	+ 2	...	+ 51	+ 36	+ 89	2,456
Aug., 1953...	— 6	...	Nil	+ 19	+ 13	2,469
Sept., 1953...	— 15	...	+ 4	+ 28	+ 17	2,486

* 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.

which for the most part reflects the sterling area's direct balance with North America, was the most disappointing for some time. It is true, as the accompanying table shows, that the residual surplus had also been at a low level in four of the previous months of this year (March, May, June and August); but each of these months carried the burden of some specially large outpayment (the spring-

time tobacco purchase, the Cuban sugar purchase, the repatriation of A.E.I. shares and the Canadian debt agreement respectively). When struck net of these special factors, the residual surplus would seem to have run happily along at between \$30 and \$80 million a month from October, 1952, to August, 1953—and then to have dropped with a bump back to approximate balance last month. As far as is known there was no special outpayment to account for this drop in September, although grain purchases will have been seasonally high.

Nobody should read too much into a relatively marginal change in the accounts in a single month; as dollar sales of certain sterling area commodities, especially cocoa, will come back into season soon, the accounts in the next few months may well make more cheerful reading again. But it would be unwise to count upon this. For one thing, some sterling area restrictions on dollar imports—especially the old bugbear of imports of dollar machinery into the dominions—seem to have been easing recently. For another, American purchases of sterling area raw materials tend to move very closely in step with the US index of industrial production; and that index (which is nominally, if imperfectly, seasonally adjusted) has been wobbling nervously of late. It was down to 234 in September, compared with the peak of 241-242 reached in the four months March to June. If the mountain of talk about an American recession brings forth only a mouse of this size, nobody should have very much to worry about. But the latest dollar figures may be a reminder that there is a mouse—a very small one—already there.

Balance with Europe

THE trend of the sterling area's balance with western Europe in September was also slightly disappointing—even although the provisional figures show a surplus of £4.3 million, half of which will be financed by a gold transfer to Britain next week. This surplus, however, was wholly due to the receipt of £8.7 million from France, as an annual instalment in the repayment of the Anglo-French loan of 1946. When allowance is made for this, the trend of the sterling area's balance with western Europe has been: a deficit of £11.5 million in July (excluding a transfer of £7½ million which, it is now revealed, was made by Germany in respect of its debt commitments in that month); a deficit of £10.5 million in August; and a deficit of £4.4 million in September. The tapering off of the tourist season last month has therefore not returned this account to surplus, as some people had hoped it would.

In the next three months seasonal influences in trade with Europe should turn gradually but increasingly in the sterling area's favour. It will be disappointing if this account does not swing back into genuine surplus soon; and it will be still more disappointing if Britain recoils from announcing further liberalisation of imports—and probably an increase in the travel allowance—at the OEEC meeting at the end of this month. But it should be remembered that Australia and the other Dominions are also increasing their imports from Europe; there is no reason to expect imminent and serious sickness in either the dollar or the EPU accounts, but neither can now be regarded as any too comfortably cosseted against a winter cold.

Working and Spending

ANOTHER 120,000 people were absorbed into the working population in August, as the annual crop of school leavers came on to the market and found little difficulty in getting jobs. In fact, in the month to September 14th, the number of unemployed fell slightly again, by 1,600 to 292,000 (or 1.4 per cent of the labour force). It is true that this decrease in unemployment was the net result of a reduction of 12,600 in the number of young people on the register but of an increase of 11,000 in the number of unemployed women; it may thus be connected with the registration habits of those who have recently left school as much as with anything else. A year ago the number of unemployed fell by as much as 14,000 in the month to mid-September, but that was because the minor summer recession of 1952 was then beginning to tail off; in September, 1951, the number of unemployed actually increased slightly. Moreover, figures published by the Ministry of Labour this week show that the number of people working short-time in the manufacturing establishments that report to it fell from 62,000 to 30,000 between the end of May and the end of September of this year, while the number of operatives working overtime rose slightly to 1,324,000. There has certainly been no summer recession in 1953, and the conclusion that must be drawn from these figures is that there is no visible sign of any autumn downturn yet.

As with the summer, so with the spring. The latest Monthly Digest of Statistics, published this week, contains the Central Statistical Office's usual and valuable estimate of personal consumption in the second quarter of 1953. Total personal expenditure nearly always rises in the second quarter of the year, and at first sight the increase this year in terms of current market prices (by £188 million to £2,742 million) may seem only slightly greater than the increase last year (by £156 million to £2,568 million). But this was because prices have been more stable in 1953; in terms of constant (1948) prices personal consumption rose

British Wholesale Prices

Many requests have been received for a continuation of the record of British Wholesale Prices which appeared for many years in *The Economist* and thereafter in the *Records and Statistics Supplement*. Accordingly it has been decided to provide a similar service with a somewhat extended list of commodities, on a subscription basis. The list will be issued every four weeks and will give prices for some 160 commodities for each week. Subscription £2 post free at home or abroad (air mail additional).

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by £118 million (or between 5½ and 6 per cent) to £2,187 million in the second quarter of 1953, compared with a rise of only £64 million (or 3½ per cent) to £2,076 million in the second quarter of 1952. In other words, real consumption was running at an annual rate that was some £450 million (or 5½ per cent) higher between March and June, 1953, than between March and June, 1952; this must have been a rather bigger increase than the Chancellor bargained for at Budget time. Among the separate categories, real consumption of food was some 3½ per cent higher this spring than a year before, and that of clothing some 4 per cent higher; while in the generic group “other goods and services” (which covers a wide range of manufactured consumer goods) real consumption was up by as much as 8½ per cent and in household goods by no less than 21½ per cent. A rough estimate suggests that these increases may have been covered approximately twice over by the rise in real incomes generated by expanding production and the exceptionally favourable turn in the terms of trade; but let nobody suppose that the rate of improvement in the standard of living that they indicate is a rate that can continue for long.

Bleak Prospect for Rubber

THE price of natural rubber, which has been falling more or less steadily all this year, dropped by nearly 1d. a lb this week under the weight of supplies in Singapore. The spot quotation closed in London on Thursday at 17½d. a lb, compared with 24d. a lb. last January, and despondency in the market has deepened as prices have dropped. The prospect of an international marketing agreement, which would attempt to stabilise supplies and prices, is now recognised to be extremely distant, whatever happens at the Rubber Study Group's discussions in London next week. American strategic purchases, which have absorbed nearly 40,000 tons of the surplus of natural rubber this year, are believed to be virtually completed. Consumption of rubber in the United States, the largest consumer, has been declining for most of this year; and the state of the motor industry at Detroit does not suggest that the demand for tyres is going to become buoyant again in the near future. Between March and August total American consumption of synthetic fell by 18,700 tons to 59,200; consumption of natural fell less sharply—but still sharply enough—by 7,200 tons to 43,500. So much for the brash forecast of the American representatives at the Study Group meeting last May—that a relatively small decline in the price of natural rubber should lead to a substantial rise in American usage.

The new regulations for sales of synthetic rubber in the United States, which have just been announced by the Reconstruction Finance Corporation after consideration for several months, add another touch of gloom. They make it slightly—although admittedly only slightly—less easy for American manufacturers to switch at will from synthetic to natural rubber. Manufacturers must now place firm orders for synthetic thirty or ninety days ahead, according to volume, and will have to pay a small penalty of one quarter of a cent per lb on orders submitted after the required date. They have been assured of protection against any increase in prices during the life of their contracts, and of

the benefit of any reductions announced before shipment. The RFC hopes that these regulations will enable it to adjust its production more closely to demand and thus to keep a tighter control over its stocks. Although production of synthetic has been reduced considerably in recent months—and is expected to be down to the minimum permitted rate of 500,000 tons a year in the last quarter of 1953—the RFC's stocks have risen to within 5,000 tons of its maximum permitted holding of 85,000 tons. If the price of American synthetic was increased above its present allegedly subsidised level, natural rubber prices might become resilient too; but this does not look like a background against which an increase in price will be as eagerly canvassed in Washington as it is here.

Brazil Agreement at Last

AFTER five months of laborious negotiations, a preliminary agreement on the settlement of Brazil's commercial debts to British exporters was signed in Rio de Janeiro last week. The terms of agreement had in fact been pretty accurately foreshadowed by unofficial leaks as early as the beginning of August; the official statement now confirms that the agreement provides for an immediate initial payment of £10 million, which Brazil intends to obtain from the International Monetary Fund (though there have been murmurings that the IMF will not grant this advance without a further investigation into Brazil's economy). The remainder of the £63 million now outstanding will be paid off by annual instalments starting from the beginning of this month. These annuities will be at a minimum of £6 million; the debt can thus take up to nine years to clear. But if Brazil's total sterling earnings exceed £35 million in any one year, additions will be made to the annual payment at the rate of 10 per cent of earnings between £35 and £45 million a year and a steadily increasing percentage of annual earnings up to £60 million; sterling earnings in excess of £60 million will be wholly used for repayment of the debt. Interest on the debt outstanding will be paid each year at 3½ per cent.

British exporters who have already been waiting many months for payment for goods exported in the normal course of trade can hardly be expected to give a great welcome to an agreement that will oblige them to extend their credit for up to nine further years—while American exporters wait only three years for full settlement of their credits and while new British exports are apparently to be paid for without delay. There has, indeed, been no announcement of the arrangements for current trade and payments (except that Brazilian purchases of British oil products are to be restricted to £15 million a year); it is certain, however, that such arrangements will be made, as the resumption of commercial relations provided the main incentive to the British Government for acceptance of terms such as these—and the one excuse for its compromise on the basic principle that commercial debts require commercial settlement. Whether the Government's or the private creditor's view of the situation is accepted depends largely on one's estimation of the prospects for the Brazilian economy. The Government has accepted a calculated risk in the hope that Brazil will take the further steps necessary

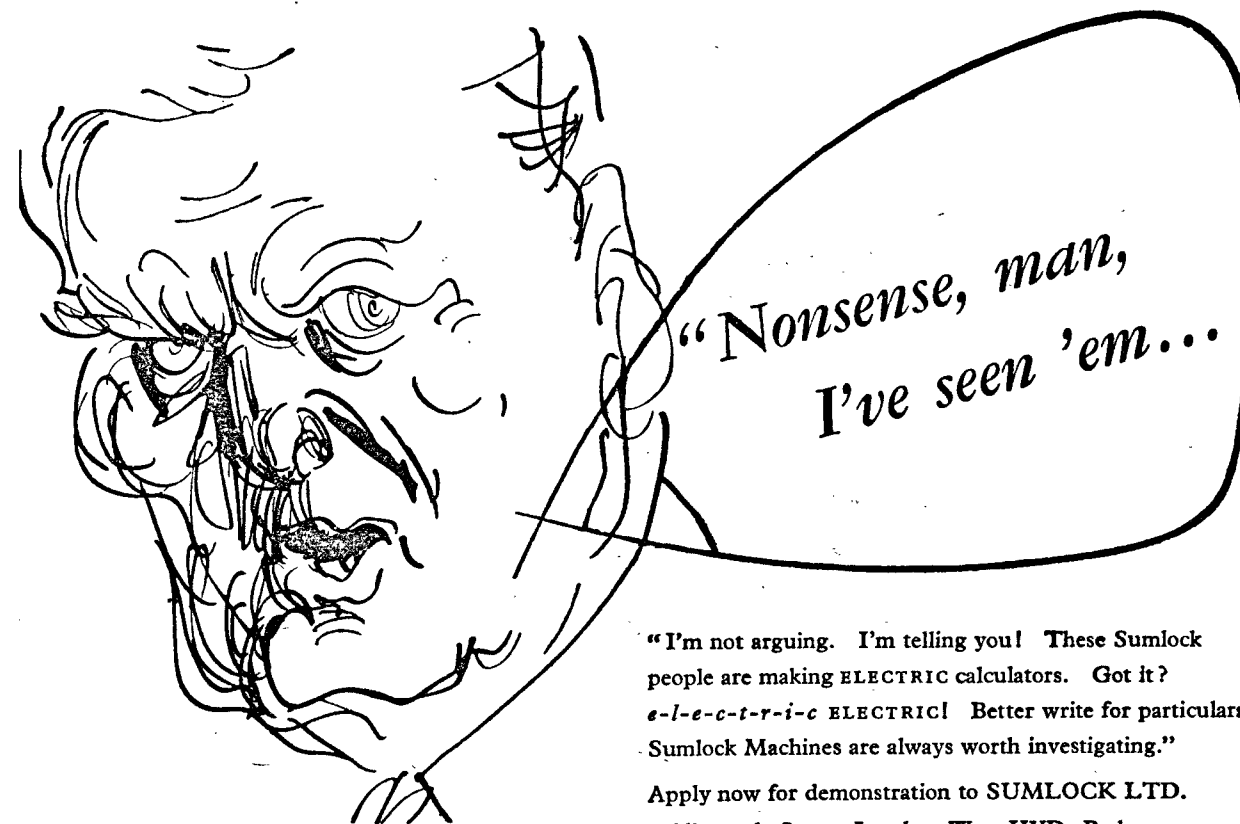
to restore a competitive economy and thus will justify the restoration of normal trade relations; and it is certainly too early to say that it has taken much too big a risk.

Financing the Small Business

TWO new financial institutions—Safeguard Industrial Investments Ltd. and the Private Enterprises Investment Company—deserve a warm welcome in the City. They are experiments to tackle two major financing problems before the small businessman, one of which is set by the impact of death duties and the other of which is the familiar Macmillan "gap" in borrowing facilities for companies that are too small to make public issues of shares.

The first problem, with which Safeguard Ltd. will be concerned, arises from the difficulties into which private companies fall when one of their principal shareholders dies and his shares have to be sold to meet death duties; all too often the consequence of such sales is that the continuity of control and management in a given family or group is broken up—even when such continuity is essential to maintain good will, efficiency and progress. This problem is exacerbated by certain anomalies in the tax laws—particularly those arising from section 55 of the Finance Act of 1940—which a Government committee is now reviewing. But even if these anomalies are smoothed out, a real problem will remain; and there should still be plenty of work for Safeguard Ltd., which has announced that "its primary object will be to provide capital for estate duty purposes for the proprietors of businesses which are somewhat too small satisfactorily to permit of a public offer for sale or placing of shares." The new company, which will have a capital of £1,000,000 and is sponsored by the London and Yorkshire Trust, will therefore follow the trail blazed six months ago by "Edith" (the Estate Duties Investment Trust), an offshoot of the Industrial and Commercial Finance Corporation. Edith, whose initial capital was also £1,000,000, is reported to have been a busy young lady; and she has studiously stuck to the role of a "neutral" purchaser of shares, who strives to avoid interference with the policy or management of the businesses in which she invests. It will be interesting to see, however, whether these institutions' definition of "neutrality" can reasonably be squared with the definition that some private companies, with their rather easy-going tradition of financial control, will wish to propagate.

The other newcomer, Private Enterprises Investment, has defined its objects as "first to strengthen the capital resources of companies which find it difficult to raise funds through public issues; and second, to provide money for estate duties payments." It makes its bow under impressive sponsorship: that of four merchant banking houses—S. G. Warburg and Co., N. M. Rothschild and Sons, Samuel Montagu and Co., and M. Samuels and Co.—together with the Industrial Finance and Investment Co. It, too, will have an initial capital of £1,000,000 (of which only 10 per cent will at first be called up), divided into £400,000 of deferred shares subscribed by the banking houses and £600,000 of preferred ordinary shares subscribed by a group of insurance and finance companies; as and when fresh capital is needed it may be raised by public



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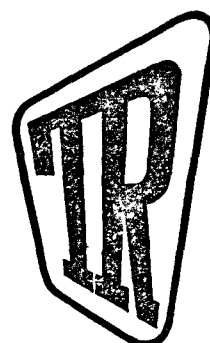
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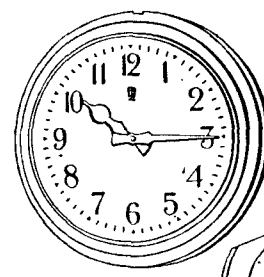
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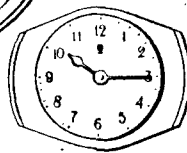
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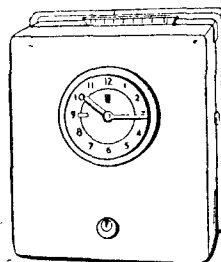


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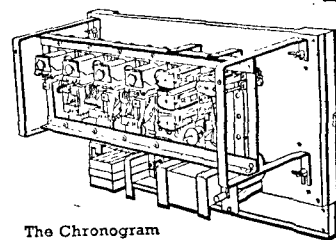
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issues of prior charge securities. The object of the new company, it will be noted, is not so much to meet the problem of death duties as that of the Macmillan gap. This furrow, of course, is already being ploughed by the I.C.F.C. itself and by the Charterhouse Development Co. But the field is not so overpopulated that the entry into it of two modest institutional millionaires will turn a risky lenders' market into a small borrowers' dream.

Airlines at Montreal

THE annual meeting of the International Air Transport Association now taking place in Montreal will be the occasion for some thoughtful stocktaking by the member airlines, who between them carry about 95 per cent of the world's scheduled air traffic. The president of IATA, Sir William Hildred, set the tone for the meeting during his survey of the past year's operations, when he said bluntly that air transport was not yet paying its way. The airlines are expanding their capacity, and have reduced their fares—or rather introduced the new tourist rates—in order to attract enough new traffic to fill the extra space offered for sale. There has indeed been an expansion of traffic; in 1952, the first year of the tourist rates on the North Atlantic, 15 per cent more passengers were carried than in 1951—and they travelled, on the average, a greater distance. But, said Sir William, "the rate of expansion must be high enough to compensate for the fact that a passenger is now worth so much less in terms of revenue," and this has not yet happened. His point is hammered home by the fact that the Civil Aeronautics Board in America is asking for \$80 million with which to subsidise American airlines in the next financial year; of this, it wants \$50 million for the international services.

Tourist services now account for more than 50 per cent of the traffic across the North Atlantic, and there is every sign that they are becoming the standard form of air transport. They are also becoming a more competitive form. Sir William's address contained several direct references to the tendency to relax the restrictions that were originally imposed on the amenities that the airlines said they could provide on tourist flights; more ominously still, as IATA no doubt sees it, there has been a tendency to reduce the seating density on tourist aircraft, even although the original intention of the tourist system was that a reduction in fares could be offset by an increase in the number of passengers carried. The big airlines have so far devised two methods of meeting this increased competition in tourist fares. One has been adopted by KLM, which is offering three kinds of service (tourist, first-class, and sleeper) in a single aircraft; and, incidentally, is thereby meeting the problem of how to fill the vast number of seats provided in airliners like the Super-Constellation. The second method is typified by BOAC's Comet services where the attraction of the aircraft makes a first-class ticket worth while. Nevertheless KLM's experiment—which is starting between Amsterdam and Johannesburg, a route served by the Comet—must be slightly disturbing to BOAC. Meanwhile, a second European rival, Sabena, has started flights from Manchester to New York, a convenience for provincial travellers that BOAC does not provide.

Wool Markets Settle Down

PRICES of raw wool now seem to have settled down at levels more or less in line with last season's close. The early weakness in the primary markets soon disappeared when buyers found that the undertone was firm, and began to buy more vigorously. Fine merino wools are now only a shade below the closing levels of last season, with good topmaking 64's at about 141d. per lb, clean landed basis UK. Prices of fine crossbred wools, and of medium and low qualities, are fully firm, for these types will be short until the New Zealand season opens at the end of October. The spot wools available in London continue to command a premium. The Bradford top market has advanced slightly, and 64's B quality tops are now about 155d. per lb. Competition has been brisk at all auctions, with Britain and the Continent setting the pace. Japan has been active and a little buying is reported on Russian account. The United States does not usually enter the market until later in the season, when the better class wools come to auction.

The stability of the wool markets has established confidence, and prices seem likely to hold their present levels for some time. Manufacturing activity in Britain and in most Continental countries and Japan is still running at a high level, and has improved slightly in the United States. In Bradford, most topmakers are fully sold forward until the end of the year, and a little business has been done for delivery in the New Year. Price resistance from the public would almost certainly check any appreciable advance in prices, and there are several possible developments which might depress them somewhat. Stocks of semi-manufactured wool must now be near normal, with correspondingly less prospect of aggressive buying to come. Again, the United States may impose higher duties on imports of raw wool and manufactures. At present prices, sterling area wool hardly attracts American buyers, and higher duties would not therefore directly affect American purchases of raw wool; but they would probably depress imports of European woollen cloth, and so indirectly react on raw wool prices. Moreover, Japan has threatened to reduce imports of sterling area wool. Much depends on retail demand during the winter; and though wool is statistically healthy, some caution about the longer-term outlook seems justified.

Competition in Commercial Fuel

A GENERAL reduction of ½d. a gallon in commercial grades of petrol and of ¼d. a gallon in derv is a mark of keener competition in the bulk petroleum fuel business. This is a market that has always been sensitive to price considerations—certainly more so than the ordinary private motorist choosing among the various premium grades. It seems doubtful whether recent reductions in crude oil prices and tanker freights would account for the whole of the reductions that have been made. Part of the explanation may well lie in the success of the oil companies in persuading the motoring public that premium petrol is well worth its extra cost. About 40 per cent of the 2½ million gallons of petrol sold in this country during

the first half of the year is believed to have been premium grade, on sale for only five months out of the six. Before the war, premium sales accounted for about 30 per cent of the total. To have exceeded this proportion so handsomely in the first stage of postwar freedom may not necessarily mean that it will always be so, for tastes may change and price may come to mean more to the average motorist than it apparently does now. But, whether the division of the market in these proportions is temporary or permanent, the result has been to increase the volume of commercial fuel for disposal.

One reason for the popularity of premium petrols may rest upon the relatively slight difference between the prices of the different grades. Before the war, premium petrol (with tax) cost 1s. 7d. a gallon, 3d. a gallon more than the commercial grade. This was a difference of very nearly 20 per cent. Before this week's price reduction, the price margin was the same—4s. 2½d. a gallon for commercial grade petrol and 4s. 5½d. a gallon for some typical premium grades—but it represented a mere 6 per cent. There is the added complication of an intermediate grade marketed by Esso, and the companies supplied by Esso, now costing 2½d. more than commercial petrol and 1d. less than the standard premium grades. The relative lack of sensitivity to these differences in price is further exhibited by the success of the still more expensive grade marketed by Esso. This costs 1d. more than the standard premium grades and is intended for highly tuned engines; but it appears to be bought in quantity by ordinary motorists.

Cheaper Cars at Paris

THE Paris motor show, which opened a week ago, has been well supported by American, Italian, German, Spanish, and British exhibitors; in fact several American manufacturers have brought over experimental cars for the express purpose of pitting them against new European designs. But the most striking feature of the show has not been the styling trends displayed. The tone has been set instead by the decision of several British manufacturers to choose this occasion to announce significant price reductions—a decision in which they have been accompanied by some of their French competitors.

Among the British manufacturers, the Austin Motor Company has left the price of its small A.30 unchanged for the time being at £355, but has reduced the price of its medium powered A.40 by £18 to £449 (without purchase tax) and the price of its larger A.70 by £31 to £596. The cuts announced by the Rootes group follow much the same pattern; the price of its smallest car, the Hillman, remains (probably temporarily) at £470, but the Humber Hawk has come down by £30 to £695, and the Sunbeam Talbot by £49 to £825. Prices of bigger Austin and Rootes models have also been reduced. Ford, Standard, and Vauxhall—all with new or fairly new models in production—have not felt it necessary to cut prices at this stage; and nothing has yet been said about the future prices of Nuffield cars, now under the same management as Austin. These British reductions have found a parallel in cuts made by French manufacturers; the Simca Aronde has come down by roughly £46 to Frs. 599,000 (say, £600),

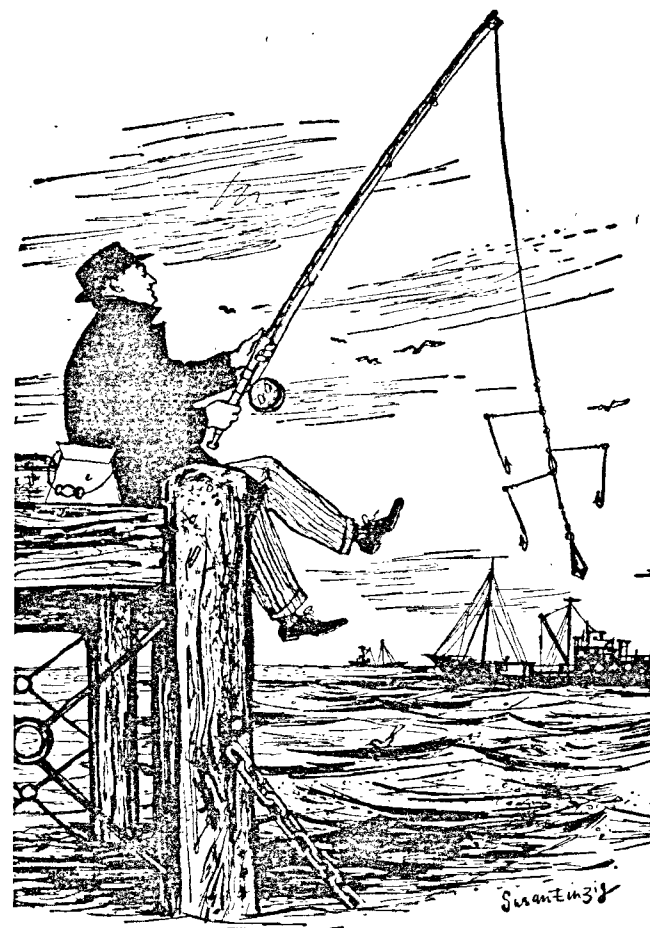
the small Renault by £15 to Frs. 414,000, and token cuts of £10 or less have been made in the prices of the bigger Renault and the Peugeot models.

The Paris show owes much of its importance to the fact that this is the season when new models are usually introduced, in order to give dealers time to place orders for delivery by the spring; in consequence, the Paris salon has acquired the reputation of being the place where the pace is set, in matters of price as well as style, for car sales during the twelve months until the next show. Because of its import restrictions, France is not an important market for any motor manufacturers but the French. In the first quarter of the year, France imported only 666 British cars, 537 from the United States, 101 from Canada and 24 from Italy (figures for Western Germany are not available); and some of these must have been cars imported by foreign residents in France for their own use. A rough comparison between the home sales of French manufacturers (188,000 cars produced and 43,000 exported in six months) and the level of imports suggests that only about two per cent of the new cars going on to the French roads come from abroad. The timing of last week's price reductions was therefore prompted by the recognition that the 1954 crop of new models is coming forward at a time of stiff and world wide competition for sales; they were not intended as a special bait for the singularly unpromising market in France itself.

Another Irish Loan

THE Irish Government is building wisely upon the success of its much-publicised 5 per cent loan of last autumn and upon the general improvement in economic conditions since then. Subscription lists open in Ireland on Monday, and will close not later than Friday, for a £25 million issue of 4½ per cent stock, 1973-78, offered for cash at 97. This is a big loan for Ireland, and surpasses last year's offer by £5 million; yet the circumstances have looked sufficiently propitious to justify a six-year addition to the maximum life (the dates of the 5 per cent loan are 1962-72) and a reduction of the gross redemption yield by about ¼ per cent—to 4½ per cent at the issue price. Even so, this year's offer compares at least as favourably with British Government stocks as last year's did. The most nearly comparable British stock—this year's 4½ per cent Electricity Stock, 1974-79—offers 4½ per cent to the final date.

British investors may feel that the margin offered by the Irish stock comfortably compensates for the fact that it is not a British trustee stock. It has, of course, trustee status in Ireland, and also carries tax privileges of interest both inside and outside the Republic. Interest is payable without deduction of income tax, and both principal and interest will be exempt from all Irish taxation, present or future, if the stock is in the beneficial ownership of a person neither domiciled nor ordinarily resident in Ireland. Exemption from Irish income tax will, moreover, be granted to all persons "ordinarily" non-resident, irrespective of domicile. For Irish residents there is the special privilege that the stock will be accepted at face value in payment of Irish death duties.



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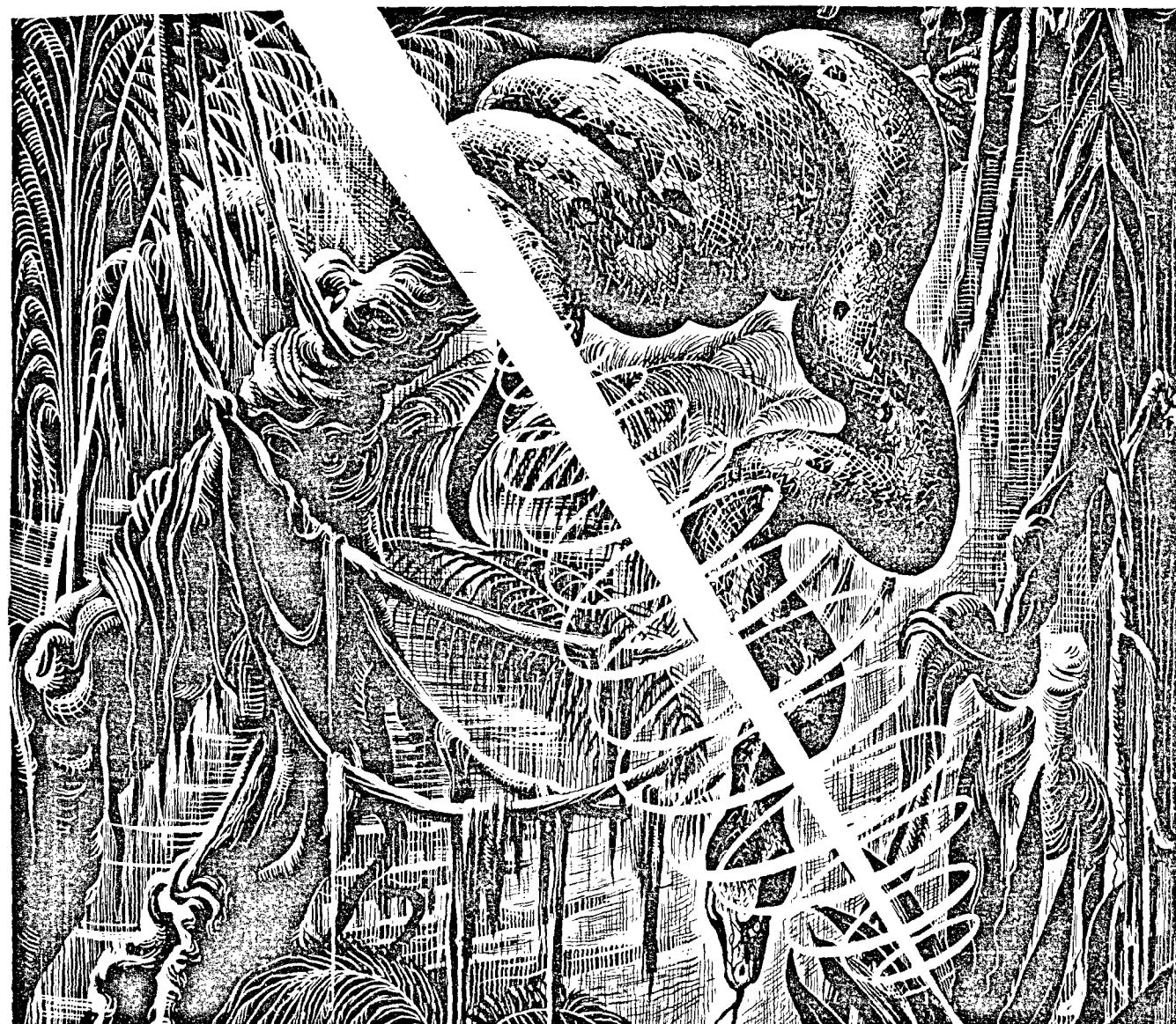
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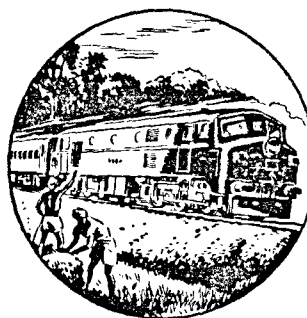
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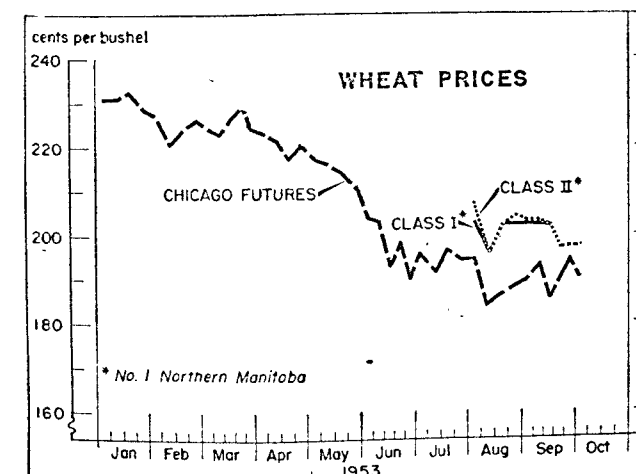
Forward Arbitrage

AFTER five months of successful operation, the scheme for arbitrage between the seven main foreign exchange markets of Western Europe has now been extended to cover forward as well as spot transactions. Until Monday of this week forward dealings were subject to the same bilateral restrictions as had impeded spot dealings until May of this year. An authorised British bank could buy, say, forward guilders from another British bank or from a Dutch one—but it could not buy forward guilders in Belgium, Denmark, France, Western Germany, Sweden or Switzerland (unless prior approval had been obtained from the exchange control authorities of the countries concerned). Now it is allowed to do so, provided the forward purchase is for a period of three months or less.

When they introduced the original arbitrage scheme last May, the authorities made no secret of the fact that this extension of the arrangements was contemplated, provided the trial run in spot dealings did not run upon any unforeseen rocks. In consequence of this, and of the fact that no real distortions had sprung up in cross forward rates of the currencies concerned, the market has taken the new freedom in its stride without any significant rate adjustments. Meanwhile sterling continues to bump around fairly happily just above the middle point of its parity against the dollar; at Wednesday's close the spot rate in London was \$2.80½, while forward dollars were quoted at ¼-⅓ cent premium.

Wheat's Stable Front

WHEAT prices are magnificently insensitive to the massive world surpluses. The steep fall in Chicago future prices was halted weeks ago and they have recently fluctuated by only a few cents on either side of \$1.90 a bushel. The Canadian Wheat Board's class 11 price, which now seems to be setting the standard for "non-agreement" wheat in the world market, dropped by a few cents last month but has since been very steady at about \$1.97 to



\$1.98 cents a bushel for No. 1 Northern Manitoba wheat. Its class 1 price for the same quality wheat sold under the International Wheat Agreement has had to come down to the same level. The two prices have in fact been virtually identical since the new agreement began on August 1st.

But taking into account the premium of the Canadian dollar over the American, the class 1 price was for several weeks only fractionally below the IWA maximum of US 2.05 cents a bushel and is now a mere six cents below it.

The relative stability of wheat prices at present levels, for which American support operations can take the credit, would prompt the conclusion that the adjustment to conditions of glut has gone far enough. It would be incredible if that were to prove to be the case. The pressure on wheat prices may in any event soon be increased by the recent passage of a bill which requires the American Administration to sell some of its huge surpluses of farm products to foreign countries for payment in local currencies. In the financial year ending next June the Administration must sell farm products to a value of not less than \$100 million and not more than \$250 million in this way. Though wheat may at first be outside this new type of American export promotion scheme it is unlikely that it will be excluded for ever. Other wheat-exporting nations could hardly allow such competition to go unchallenged. Canada, which has been blessed with three bumper harvests in succession, would certainly react sharply for, unlike the United States, it is wholly dependent on the export market for disposing of its wheat, and it cannot afford to give it away.

Bigger Business in Shoes

THE shoe industry, which was badly hit by last year's retail slump, has shared the general recovery of the consumer goods trades. If the experience of this week's two shoe exhibitions is any guide, active trade seems likely to continue. Both appeared to be far better attended than they were in previous years and the holding of two separate exhibitions simultaneously, one of which is supported only by a handful of manufacturers whose business lays more stress on fashion than on quantity production, does not appear to dissipate the interest in them.

The market for shoes is highly sensitive to price, and the industry's troubles in past years have been directly due to high selling prices. Considerable reductions have been effected during the past eighteen months, to the great benefit of the industry, largely by a change in methods. The two most important developments in the industry are the change from stitching as a means of joining the sole to the upper of the shoe and the adoption of various cementing techniques in its stead, and the general introduction of a variety of synthetic sole materials as highly competitive alternatives to leather. Neither of these developments is new, but it has taken some time for their effects to spread through the industry, and also for the technique of using them to be perfected so that the consumer sees no discernible difference in quality. It seems probable that the use of synthetic sole materials will be carried a stage further, reducing the process of moulding the sole and attaching it to the upper to a single operation; at least one major manufacturer has gone a long way in this direction and has greatly reduced his costs and prices.

The production of shoes was running at a rate of nearly 12 million a month by midsummer, compared with less than 9.5 million in the same period of 1952. At the same time, the value of shoe sales by the retailers have fallen.

During the first half of the retail year—that is February to July—sale of the big shops were 2 per cent lower in value, those of the independent retailers, unchanged. Since this period of 1952 was one of generally poor business, the rise in production coupled with a drop in the value of sales indicates that the fall in prices must have been considerable to offset to this extent the market rise in turnover.

Private Trading in Magnesium

LORD WOOLTON, the new Minister of Materials, has lost little time in ridding his department of one of the last five materials in which it deals. Public trading in magnesium will end on January 1st, and licences to import from dollar and non-dollar sources will be freely issued to private traders. Thereafter, only jute, tungsten, sulphuric acid materials and flax will remain under the Ministry's control.

Magnesium, which is an ultra-light metal of special interest to the aircraft and motor industries, reverted to Government control in 1951, when world supplies became extremely short as a result of rearmament. Consumption in this country has declined this year, owing mainly to increased competition from aluminium and to the stretching out of the defence programme. Supplies available to the Ministry have been in excess of Britain's present requirements of some 4,000 tons a year and the surplus has been transferred to the strategic reserve.

The Ministry's contracts with Canadian and Norwegian suppliers expire on December 31st or March 31st. Production at the Government-owned plant near Manchester will cease at the end of March. The privately-owned plant on the same site will cease producing on Government account at the same time, but it hopes to continue operations for the private trade. Although costs of production have always been lower in countries like Canada and Norway, which have ample supplies of cheap hydro-electric power, the British company believes it can secure economies from a modified process based on imported raw material, and it also has the advantage of being a large producer of magnesium alloys.

The Ministry's price for virgin magnesium is £322 a ton, delivered. This is an equalised price that takes into account the higher costs of domestic production. Private

buyers should be able to obtain Canadian aluminium for about £285 a ton, delivered UK. Import licences will initially be issued by the Board of Trade on an individual basis to enable the Ministry to follow the trend of demand for the imported product, but it is intended to grant open general licences later on. If private buyers have any difficulty in arranging contracts for next year the Ministry will no doubt help them out from its own stocks.

SHORTER NOTES

The latest productivity report to be published by a team from the Anglo-American Council on Productivity deals not with a single industry but with methods of production control applicable to all industries. The possible value of these reports to British manufacturers seems to diminish sharply when the teams switch from the technicalities of a single industry to broad generalities; in this case the members reported, in part, that "there was little seen with which the team was not already familiar either from personal experience . . . or from written information available in this country."

Wholesalers' sales of textiles rose sharply during the late summer from 67 in July to 78 in August (1950=100). There is usually a seasonal rise in sales at this time of year, when the wholesalers begin to deliver autumn and winter stock to the shops, but the rise is much sharper than it was twelve months ago when the index moved only 4 points, from 63 to 67. The value of stocks has been rising during the past four months and by August the index had reached 104; but this is only 6 points higher than in August, 1952, when the level of sales was 11 points lower than it was this year. These figures suggest that the expansion in retail sales is expected to continue.

The president of the Society of Motor Manufacturers and Traders indicated this week that the motor industry is beginning to think in terms of long-term credits for its export customers, who are in a better position to demand them than they were when cars were scarcer. Like the aircraft industry, the motor industry may turn to the City for help in financing such credits rather than attempt to meet them out of its own resources.

proportionate" falls in profitability, of delays in receiving payment for goods already shipped and of the need to set

Years ending June 30,
1952 1953

Group profits (after all charges, but before taxation).....	3,278,000	2,823,000
Taxation.....	1,775,000	1,238,000
Obsolescence and replacement.....	250,000	250,000
General reserve.....	500,000	650,000
Pensions, etc.....	50,000	100,000
Other reserves.....	350,000	250,000
Ordinary dividend (per cent).....	15	17½
Carry forward.....	307,171	376,000

aside special provisions in an exchange reserve. In these circumstances, it is a

little surprising that the market had apparently expected better results and a bigger increase in the dividend than the 2½ per cent now recommended. Shortly before the release of the preliminary statement, the 10s. ordinary shares stood at 44s., which would have offered a yield of only about 4 per cent on the 17½ per cent dividend. By Wednesday evening they had come back to 41s. 9d., to yield about 4½ per cent. This is still not a generous yield. Even when all allowance is made for the company's progressive record in chemical research—where its activities are so widespread that the name "Glaxo" is now rather a misnomer—and for the ample cover to the new dividend, the shares seem quite high enough. The fact that a fall in net profits was apparently originally expected as a result of the recession of 1952—which did not, in the event, fully develop—may be a warning of disappointments to come if the long-forecast world recession of 1954 should after all get under way.

★

MONTAGUE BURTON. For the year to March 31st last, Montague Burton, the tailors and manufacturing clothiers, have been able to show a net profit of £182,646, compared with a loss of £566,188 for the previous year; but this has been made possible only by the transfer of £487,045 net from the £1,000,000 that was taken out of general reserve last year to cover losses on forward commitments. The two main problems that the group has had to face have been its large overdraft and its high level of stocks. The overdraft was reduced, last year from £6,176,461 to £3,954,890, but this was effected only during the last five months of the year; previously the overdraft was running "at a very high figure" and necessitated an increased charge for bank interest that ate severely into profits. Stocks have been reduced from £13,716,331 to £10,511,472; but they are still disquietingly high, and the chairman

declares that they present "difficult realisation problems."

In order to be ready to face these problems the group (which last year applied no less than £1,600,000 towards writing off stocks in hand) has stripped the general reserve of its last £500,000, and has used this for strengthening the stock contingencies reserve. Although it is true that the accounts reflect the after effects of the debacle of 1951-52 rather than fresh disappointments in 1952-53, they must be regarded as bringing dismal news to ordinary shareholders, who receive no dividend this year and who received no final dividend for 1951-52.

Since the end of the financial year the company has acquired control of Jackson the Tailors Limited, and has strengthened its board of directors thereby. But the

	Years to Mar. 31, 1952	1953
Consolidated earnings:—		
Trading profit.....	Dr. 271,390	472,420
Depreciation.....	220,442	255,582
Bank and other interest.....	89,304	242,370
Taxation.....	Nil	70,000
Net profit.....	Dr. 566,188	182,646
Ordinary dividends.....	70,218	Nil
Ordinary dividends (per cent).....	6*	Nil
Added to carry forward.....	Dr. 384,108	20,187
Cons. balance sheet:—		
Fixed assets, less depreciation.....	9,730,576	9,580,579
Net current assets.....	5,302,559	5,316,029
Stocks.....	13,716,331	10,511,472
Cash.....	121,668	177,239
Bank overdrafts.....	6,176,461	3,954,890
Reserves.....	4,827,259	5,244,555
Ordinary share capital.....	2,229,163	2,229,163

* Interim dividend only; no final dividend was paid for 1951-52.

chairman, Air Commodore C. F. Benson, sees no reason to hope for any "marked improvement" in the current year's trading results, though he views the "succeeding years" with confidence. The chairman makes no reference to take-over rumours in his statement. The 10s. ordinary shares, which have been as low as 12s. during this year, now stand at about 23s. 3d. At that price they are a purely speculative investment.

LONDON STOCK EXCHANGE

Next Account Begins October 14th
Next Contango Day October 14th
Next Settlement Day October 20.

THE markets continued in cheerful fettle until the middle of this week. On Monday, markings reached 12,250, the highest level for any day since May 7, 1951, and the *Financial Times* index of industrial ordinary shares stood at 128.5, its peak for the year. Gilt-edged in this period were steady—the undated stocks perhaps barely so, but the dated stocks were firm. It was not until after business hours on Monday that the Bank of England announced the satisfactory response to the new 3 per cent Exchequer Stock 1962-63 offered at 99½; applications totalled £341 million—perhaps £100 million higher than originally expected—and they received allocation in full. Dealings in the stock opened on Tuesday around the issue price.

Then, on Wednesday, profit-taking set in; and there was a sharp reversal of trend, particularly in shares that had previously been forced up by speculative buying. Other adverse factors were a renewal of weakness on Wall Street, the disturbing news from British Guiana and some sharp falls in commodity prices. The effect on gilt-edged was comparatively slight; losses rarely exceeded ½ although 3½ per cent War Loan came back by ½, to 85½ compared with 85½ a week before. In the industrial section, however, particularly in draperies and stores, falls were substantial. "Gussies," which had risen by 3s. 9d. to 61s. on Monday, came back to 58s. 6d. on Wednesday. Unilevers and BSA were among the few exceptions to the general weakness. The *Financial Times* index of industrial ordinary shares had relapsed to 127.7 by Wednesday's close, but this was still 0.8 points higher than a week before.

Among other sections of the market, foreign bonds have steadily lost ground throughout the week, particularly Japanese issues. Kaffirs have been quietly firm, but base metal shares have moved irregularly with declines predominating. Oils have kept steady, and there has been a slightly better tendency in teas. Rubbers lost ground on the further fall in the price of the commodity.

FINANCIAL TIMES INDICES

1953	Security Indices		Yields	
	Ord.*	Fixed Int.†	2½% Cons.	Ord.
Sept. 30...	126.9	111.24	3.91	5.57
Oct. 1...	127.7	111.15	3.91	5.54
" 2...	128.5	111.12	3.91	5.51
" 5...	128.5	111.35	3.91	5.51
" 6...	128.4	111.35	3.91	5.52
" 7...	127.7	111.36	3.92	5.55
1953, High.	128.5	111.43	Total bargains Sept. 30 9,454	
" (Oct. 2)	113.9	105.68	Oct. 1 9,537	
" Low.. (May 20)	103.1	100.67	" 2 9,509	
" 5			" 5 12,250	
1952, High.	121.5	106.66	" 6 10,070	
" (Jan. 1)	103.1	100.67	" 7 10,351	
" Low.. (June 24)				

* July 1, 1935=100. † 1928=100.

Company Notes

GLAXO LABORATORIES.

Despite import restrictions abroad, world-wide over-production of antibiotics and general fears of a puncturing of the "wonder drug" boom, the Glaxo group has been able to report another increase in net profits, from £1,503,000 to £1,585,000, for the year to June 30th last. Trading profits have fallen from £3,278,000 to £2,823,000; but taxation has absorbed only £1,238,000, compared with £1,775,000. The directors of this

traditionally cautious company have, therefore, decided to increase the final dividend to 12½ per cent, making 17½ per cent for the year; the dividend for 1951-52 was the equivalent of 15 per cent on the present capital, after allowance for the one-for-one scrip issue made last year.

The fall in trading profits had been foreshadowed in the chairman's statement a year ago. Sir Harry Jephcott spoke then of stringent import licensing, of unfavourable export sales and "more than

LONDON ACTIVE SECURITIES

Prices, 1953 Jan. 1 to Oct. 7		BRITISH FUNDS AND GUARANTEED STOCKS		Price, Sept. 30, 1953	Price, Oct. 7, 1953	Net Yield, Oct. 7, 1953 %	Gross Yield, Oct. 7, 1953 %	Prices, 1953 Jan. 1 to Oct. 7		Last Two Dividends (a) (b) (c)			ORDINARY STOCKS		Price, Sept. 30, 1953	Price, Oct. 7, 1953	Yield, Oct. 7, 1953 %
High	Low							High	Low								
100 1/2	99 1/2	War Bonds 2 1/2% '52-54...	100 1/2	100 1/2	100 1/2	100 1/2	100 1/2	45/-	32/3	10 c	10 c	ENGINEERING		42/6	43/6	14 11 8	
100 1/2	98 1/2	Exchequer 2 1/2% 1955...	100 1/2	100 1/2	100 1/2	100 1/2	100 1/2	14/3	10/10 1/2	15 c	15 c	B.S.A. £1...		13/-	13/3	7 0 5 1/2	
101 1/2	99 1/2	Exchequer 3% 1960...	101 1/2	101 1/2	101 1/2	101 1/2	101 1/2	55/4 1/2	45/3	5 a	5 a	Cammell Laird 5/-		52/9	52/6	5 14 3	
99 1/2	99 1/2	Exchequer 3% '62-63...	99 1/2	99 1/2	99 1/2	99 1/2	99 1/2	51/4 1/2	44/6	12 1/2 b	12 1/2 b	Guest Keen N'fold £1.		50/6*	50/3*	5 19 5	
100 1/2	99 1/2	Serial Funding 1 1/2% 1953.	99 18/9	100 1/2	100 1/2	100 1/2	100 1/2	32/-	21/4 1/2	7 b	7 b	Vickers £1...		31/-	31/6	6 19 8	
100 1/2	99 1/2	Serial Funding 1 1/2% 1954.	99 1/2	99 1/2	99 1/2	99 1/2	99 1/2	28/9	21/4 1/2	11 c	11 c	Bradford Dyers £1...		27/-	27/9	5 15 4 1/2	
101 1/2	100 1/2	Serial Funding 3% 1955...	101 1/2	101 1/2	101 1/2	101 1/2	101 1/2	48/1 1/2	41/4 1/2	5 a	5 a	Brit. Celanese 10/-		45/-	45/6	5 9 11 1/2	
100 1/2	99 1/2	War Bonds 2 1/2% '54-56...	100 1/2	100 1/2	100 1/2	100 1/2	100 1/2	48/-	37/3	5 a	5 a	Courtaulds (J. & P.) £1...		45/-	47/-	4 15 9	
100 1/2	99 1/2	Funding 2 1/2% '52-57...	100 1/2	100 1/2	100 1/2	100 1/2	100 1/2	50/-	38/6	10 b	10 b	Coats (J. & P.) £1...		48/3	49/-	6 2 5	
101 1/2	99 1/2	Nat. Def. 3% '54-58...	101 1/2	101 1/2	101 1/2	101 1/2	101 1/2	66/3	49/-	4 a	4 a	Lancs. Cotton £1...		66/-	65/-	6 3 1	
102 1/2	99 1/2	War Loan 3% '55-59...	101 1/2	101 1/2	101 1/2	101 1/2	101 1/2	83/9	73/-	7 1/2 a	7 1/2 a	Patons & Baldwins £1		82/6	82/6	4 17 0	
97 1/2	97 1/2	Savings Bonds 3% '55-65...	97 1/2	97 1/2	97 1/2	97 1/2	97 1/2	39/6	33/3	2 a	2 a	Assoc. Elect. £1...		38/-	39/-	5 2 7	
98 1/2	95 1/2	Funding 2 1/2% '56-61...	98 1/2	97 1/2	97 1/2	97 1/2	97 1/2	60/6	51/-	10 b	10 b	Brit. Insulated £1...		53/9	56/10 1/2	5 5 1	
92 1/2	86 1/2	Funding 3% '59-69...	92 1/2	92 1/2	92 1/2	92 1/2	92 1/2	46/-	36/6	3 1/2 a	3 1/2 a	English Elect. £1...		39/4 1/2	39/4 1/2	5 14 4	
94 1/2	87 1/2	Funding 3% '66-68...	94 1/2	94 1/2	94 1/2	94 1/2	94 1/2	19/6	15/6	6 1/2 b	6 1/2 b	General Elect. £1...		18/3	18/9	5 5 4	
102 1/2	98 1/2	Funding 4% '60-90...	100 1/2	100 1/2	100 1/2	100 1/2	100 1/2	7/7 1/2	5/8 1/2	17 1/2 a	17 1/2 a	Bristol Aero 10/-		7/6	7/3	7 3 5 1/2	
91 1/2	85 1/2	Savings Bonds 3% '60-70...	91 1/2	91 1/2	91 1/2	91 1/2	91 1/2	35/10 1/2	23/6	7 1/2 c	7 1/2 c	British Motor 5/-		28/3	28/3	5 6 2 1/2	
91 1/2	84 1/2	Savings Bonds 2 1/2% '64-67...	89 1/2	89 1/2	89 1/2	89 1/2	89 1/2	36/-	25/1 1/2	15 c	15 c	De Havilland £1...		35/3	34/9	4 6 4	
103 1/2	100 1/2	Victory 4% '20-76...	101 1/2	101 1/2	101 1/2	101 1/2	101 1/2	36 1/2	36/6	5 1/2 b	5 1/2 b	Ford Motor £1...		44/-	44/9	5 2 9	
89 1/2	82 1/2	Savings Bonds 3% '65-75...	88 1/2	88 1/2	88 1/2	88 1/2	88 1/2	96/3	78/6	25 c	25 c	Hawker Siddeley £1...		86/3	87/6	5 14 4	
95 1/2	86 1/2	Consols 4% aft. Feb. '57...	93 1/2	93 1/2	93 1/2	93 1/2	93 1/2	29/-	24/-	25 c	25 c	Leyland Motors £1...		28/1 1/2	28/1 1/2	5 18 6 1/2	
86 1/2	77 1/2	Conv. 3 1/2% aft. April '61...	84 1/2	84 1/2	84 1/2	84 1/2	84 1/2	67/3	58/6	5 a	5 a	Raleigh Ind. £1...		65/7 1/2	65/-	4 12 4	
64 1/2	57 1/2	Treas. 2 1/2% aft. April '75...	63 1/2	63 1/2	63 1/2	63 1/2	63 1/2	7/3	5/3 1/2	12 c	12 c	Rolls Royce £1...		7/-	6/9	8 17 9	
75	67 1/2	Treas. 3% aft. April '66...	74 1/2	74 1/2	74 1/2	74 1/2	74 1/2	23/1 1/2	19/-	20 c	20 c	Standard Motor 5/-		22/-	22/-	4 10 11	
94 1/2	87 1/2	Treas. 3 1/2% '77-80...	93 1/2	93 1/2	93 1/2	93 1/2	93 1/2	38/9	16/6 1/2	22 1/2 b	22 1/2 b	Boots Pure Drug 5/-		36/9	35/10 1/2	3 19 0	
94	87 1/2	Treas. 3 1/2% '79-81...	93 1/2	93 1/2	93 1/2	93 1/2	93 1/2	103/-	85/7 1/2	5 a	5 a	Debenhams 4/-		100/-	98/9	4 11 2	
84 1/2	76 1/2	Redemption 3% '86-96...	84 1/2	84 1/2	84 1/2	84 1/2	84 1/2	67/-	46/3	15 a	15 a	Lyons (J.) "A" £1...		63/6	65/6	3 16 4	
87 1/2	77 1/2	War L'n 3 1/2% aft. Dec. '52...	85 1/2	85 1/2	85 1/2	85 1/2	85 1/2	60/4 1/2	44/3	55 c	55 c	Marks & Spen. "A" 5/-		59/3	59/6	4 12 5	
64 1/2	58 1/2	Consols 2 1/2%	64 1/2	64 1/2	64 1/2	64 1/2	64 1/2	7 1/2	5 1/2	5 a	5 a	Woolworth 5/-		7 1/2	7 1/2	4 11 11	
89 1/2	83 1/2	Br. Elec. 3% '68-73...	89 1/2	89 1/2	89 1/2	89 1/2	89 1/2	56/7 1/2	40/11 1/2	12 1/2 b	12 1/2 b	Anglo-Iranian £1...		55/-	54/4 1/2	5 10 4	
88 1/2	82 1/2	Br. Elec. 3% '74-77...	88 1/2	88 1/2	88 1/2	88 1/2	88 1/2	£33 1/2	£29 1/2	4 a	4 a	Burmah Oil £1...		£31 1/2	£31 1/2	4 16 10	
102 1/2	99 1/2	Br. Elec. 4 1/4% '74-79...	101 1/2	101 1/2	101 1/2	101 1/2	101 1/2	91/-	75/7 1/2	5 1/2 b	5 1/2 b	Royal Dutch 100 fl.		90/-	90/-	6 1 2	
94 1/2	88 1/2	Br. Elec. 3 1/2% '76-79...	94 1/2	94 1/2	94 1/2	94 1/2	94 1/2	31/10 1/2	23/-	11 1/2 b	11 1/2 b	Shell Reg. £1...		30/3	30/-	5 1 0	
85	76 1/2	Br. Trans. 3% '78-88...	84 1/2	84 1/2	84 1/2	84 1/2	84 1/2	44/1 1/2	34/6	13 1/2 b	13 1/2 b	Shell Trinidad L'holds 5/-		40/-	40/-	7 10 0	
89 1/2	83 1/2	Br. Trans. 3% '68-73...	89 1/2	89 1/2	89 1/2	89 1/2	89 1/2	66/6	52/9	14 c	14 c	Cunard £1...		66/-	64/-	6 4 0	
100 1/2	95 1/2	Br. Trans. 4% '72-77...	100 1/2	100 1/2	100 1/2	100 1/2	100 1/2	30/9	24/-	10 c	10 c	P. & O. Def. £1...		27/6	28/6	7 2 10 1/2	
85 1/2	76 1/2	Br. Gas 3% '90-95...	83 1/2	83 1/2	83 1/2	83 1/2	83 1/2	64/3	51/7 1/2	22 1/2 b	22 1/2 b	Royal Mail £1...		61/10 1/2	63/9	4 14 1 1/2	
96 1/2	91 1/2	Br. Gas 3 1/2% '69-71...	95 1/2	95 1/2	95 1/2	95 1/2	95 1/2	38/9	27/6	15 c	15 c	Assoc. Port. Cem. £1...		37/6	38/1 1/2	7 17 4	
99 1/2	98 1/2	Br. Gas 4% '69-72...	99 1/2	99 1/2	99 1/2	99 1/2	99 1/2	45/10 1/2	35/-	8 b	8 b	Bowater Paper £1...		35/9*	37/9*	6 7 2	
(e) To earliest date. (f) Flat yield. (l) To latest date. (s) Net yields are calculated after allowing for tax at 9s. 0d. in £. * Ex dividend. † Assumed average life 12 years approximately.																	
Prices, 1952		Prices, 1953 Jan. 1 to Oct. 7		TRUSTEE STOCKS AND FOREIGN BONDS		Price, Sept. 30, 1953	Price, Oct. 7, 1953	Yield, Oct. 7, 1953 %									
High	Low	High	Low														
88 1/2	81 1/2	91 1/2	84 1/2	Aust. 3 1/2% '65-69...	90 1/2	90 1/2	4 1 0 1/2	45/4 1/2									
92 1/2	86 1/2	95 1/2	91 1/2	N. Zealand 3 1/2% '62-65...	95 1/2	94 1/2	3 16 5 1/2	49/4 1/2									
98 1/2	89 1/2	99 1/2	93 1/2	S. Africa 3 1/2% '54-59...	98 1/2	98 1/2	3 15 9 1/2	60/3									
68	60 1/2	73 1/2	66 1/2	L.C.C. 3% aft. 1920...	73	73	4 2 2 1/2	£84 1/2									
91	84 1/2	95 1/2	90 1/2	Liverpool 5% '54-64...	95 1/2	95 1/2	3 11 2 1/2	69/6									
91 1/2	85 1/2	92 1/2	88 1/2	P.L.A. 3 1/2% '66-71...	91 1/2	92	4 2 11 1/2	64/9									
103 1/2	97 1/2	104 1/2	101 1/2	Agric. Mort. 5% '59-89...	102	102	4 12 5 1/2	65/9									
68 1/2	61 1/2	75 1/2	66 1/2	Austria 4 1/2% '34-59...	74	75	4 10 0 1/2	61/1 1/2									
13	5	21 1/2	8	Chinese 5% 1913...	14 1/2	15 1/2	Nil	48/-									
68 1/2	43/7	70 1/2	49 1/2	German 5%	68	69	...	45/7 1/2									
85 1/2	45	95 1/2	65	German 4%	91	93	...	6/4 1/2									
145 1/2	103	139 1/2	119	Japan 5% 1907...	137	137	...	19/3									
64/3 51/7 1/2 22 1/2 b 5 a Assoc. Port. Cem. £1... 61/10 1/2 63/9 4 14 1 1/2																	
38/9 27/6 15 c 15 c Bowater Paper £1... 37/6 38/1 1/2 7 17 4																	
45/10 1/2 35/- 8 b 4 a Brit. Aluminium £1... 35/9* 37/9* 6 7 2																	
39/9 34/- 16 1/2 c 6 1/2 a Brit. Amer. Tob. 10/- 37/9 38/9 5 1 9 1/2																	
£61 1/2 £40 1/2 3 b 3 c Canadian Pacific £25. 43 1/2 44 1/2 6 9 7																	
6/9 5 1/2 11 1/2 b 6 a Carreras "B" 2/6 6/3 6/6 6 14 8																	
33/- 17/9 150 c 10 a Decca Record 5/- 31/9 32/- 4 13 9 1/2																	
54/1 1/2 42/9 17 1/2 c 17 c Dunlop Rubber £1... 52/6 53/9 6 10 2																	
49/4 1/2 41/6 8 b 6 a Imp. Chemical £1... 48/6* 48/6* 5 15 6																	
60/3 50/1 1/2 11 1/2 b 8 a Imp. Tobacco £1... 57/6 59/6 6 14 6 1/2																	
£84 1/2 £68 1/2 \$2-60c \$1-50a Inter. Nickel n.p.v... £70 1/2 £70 1/2 6 11 11																	
69/6 61/3 10 b 7 a London Brick £1... 67/6* 67/6* 5 3 9																	
64/9 54/7 1/2 20 c 3 a Tate & Lyle £1... 63/- 63/6 4 14 6 1/2																	
65/9 54/3 8 1/2 b 7 a Tube Investments £1... 64/- 64/6 4 13 0																	
61/1 1/2 48/- 20 b 2 a Turner & Newall £1... 57/- 59/- 4 4 9 1/2																	
54/3 45/7 1/2 5 a 8 1/2 b Unilever £1... 52/6 54/- 5 0 0																	
6/4 1/2 4/6 5 c 7 c Allied Sumatra £1... 6/- 5/9 26 1 9																	
19/3 14/7 1/2 7 1/2 c Nil a Jhanzie Tea £1... 16/6 16/6 9 1 10																	
41/3 33/3 7 1/2 a 12 1/2 b United Sua Betong £1 38/9 38/1 1/2 10 9 10																	
6 1/2 5 1/2 40 b 20 a Anglo-Amer. 10/- 5 1/2 5 1/2 5 4 4																	
45/3 1/2 37/6 60 a 53 1/2 b Blyvoor 2/6 39/- 39/6 7 3 5																	
81/6 64/4 60 b 60 a Daggafontein 5/- 69/4 1/2 69/6 8 12 8																	
75/- 55/9 120 b 80 a De Beers 5/- Bearer... 61/9 61/- 16 7 11																	
71/- 48/6 17 1/2 c 17 1/2 c Johannesburg Cons. £1 53/- 54/4 6 8 9																	
20 1/2 15 1/2 175 b 50 a Rhokana £1... 18 18 12 10 0																	
* Ex dividend.																	
New York Closing Prices																	
		Sept. 30		Oct. 7		Sept. 30		Oct. 7		Sept. 30		Oct. 7					
		\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$				
Balt. & Ohio...		20 1/2	21 1/2	Am. Smelting...		27 1/2	27 1/2	Inter. Paper...		51 1/2	51 1/2						
Can. Pac.		23 1/2	23 1/2	Am. Viscose...		37 1/2	37 1/2	Nat. Distill...		17 1/2	17 1/2						
N.Y. Cent.		20	19 1/2	Cel. of Amer...		21 1/2	20 1/2	Sears Roebuck		56 1/2	56 1/2						
Pennsyl.		18 1/2	19	Chrysler		64 1/2	64 1/2	Shell		69 1/2	69 1/2						
Amer. Tel.		154 1/2	154 1/2	Gen. Elec.		73 1/2	75	Std. Oil of N.J.		68 1/2	68 1/2						
Stand. Gas		11 1/2	11 1/2	Gen. Motor		55 1/2	57 1/2	U.S. Steel		35	35 1/2						
United Corp. ...		5	5	Goodyear		46 1/2	47 1/2	Westinghouse		43 1/2	44 1/2						
W. Union Tel. ...		43 1/2	43 1/2	Inter. Nickel ...		38	38 1/2	Woolworth		43 1/2	43 1/2						

† Free of tax. Yield calculated on gross basis. (a) Interim dividend. (b) Final dividend. (c) Whole year's dividend. (d) Yield at 75½% of face value. (e) To earliest date. (f) Flat yield. (g) Includes 2% centenary bonus; yield basis 14%. (h) Also 2% tax free cash bonus; yield basis 18·6%. (i) 12% paid for 9 months; yield basis 16%. (j) Also 5% Coronation bonus, not included in yield. (l) To latest date. (n) Dividend of 17½% for 4 months; yield basis 10½%. (o) Yield basis 8½% after capital bonus. (p) Also 5% net capital distribution, not included in yield. (q) Yield basis 20%. (r) Yield basis 15% after capital bonus. (s) Yield basis 12½% after capital bonus. (t) Yield basis 19·7% gross. (u) Yield basis 30%. (v) Yield basis 7½%.

Statistics

The following list shows the most recent date on which each statistical page appeared.

BRITISH		OVERSEAS	
Prices and Wages.....	Oct. 3rd	Western Europe :	
Production and Consumption	This week	Production and Trade.....	Oct. 3rd
Manpower.....	Sept. 19th	British Commonwealth	This week
External Trade.....	Sept. 26th	Western Europe :	
Financial Statistics	This week	Prices and Money Supply	Sept. 19th
Industrial Profits	Aug. 1st	United States	Sept. 26th

UK Production and Consumption

M=Monthly averages or calendar months. W=Weekly averages. Stocks at end of period.

	Unit	Monthly averages			1952			1953			
		1950	1951	1952	June	July	August	May	June	July	August
INDUSTRIAL PRODUCTION											
Index:											105-106*
All industries.....	1948=100	114	117	114	112	102	98	123	118	110	...
Mining and quarrying.....	"	104	108	109	106	94	94	110	105	84	...
Building and contracting.....	"	105	101	104	110	102	105	...	...	...	...
Gas, electricity and water.....	"	116	124	127	108	104	103	119	116	110	...
Manufacturing, total.....	"	116	121	115	113	102	97	126	121	112	...
Engineering, shipbuilding, electrical goods.....	"	116	127	127	126	111	104	...	...	...	...
Vehicles.....	"	121	124	123	124	110	95	139	130	...	...
Chemical trades.....	"	124	134	131	129	115	116	...	...	...	...
Textiles and clothing.....	"	117	116	99	86	83	80	118	112	...	...
BASIC MATERIALS											
Production of:											
Coal (°).....	W '000 tons	4,149	4,275	4,332	4,228	3,765	3,736	4,332	4,160	3,376	3,637
Pig-iron.....	W "	185	186	202	200	202	202	215	211	202	204
Steel, ingots and castings.....	W "	313	301	310	313	274	280	351	338	277	291
Sulphuric acid.....	M "	150.2	133.8	125.5	105.0	103.0	98.1	153.4	147.4	147.3	...
Newsprint.....	W "	10.46	10.13	10.32	11.17	7.26	7.81	13.11	11.86	9.91	...
Electricity (°).....	M mn. kwh	4,543	4,964	5,166	4,127	4,108	4,001	4,856	4,626	4,489	4,391
MANUFACTURING											
Textile production:											
Cotton yarn, single.....	W mn. lb	20.23	20.71	14.82	10.97	10.76	11.62	18.45	17.04	15.46	15.99
Worsted yarn.....	M "	18.91	16.61	14.84	11.90	14.38	12.63	17.14	18.30	18.32	...
Rayon and synthetic fibres, total.....	M "	30.94	32.00	23.59	11.74	15.41	15.34	36.62	35.04	37.06	28.80
" " " " " staple fibre.....	M "	14.44	13.93	10.59	2.40	4.57	5.75	17.57	17.62	18.22	13.00
Cotton cloth, woven.....	W mn. yds	40.8	42.3	32.5	26.9	20.1	28.8	35.8	36.1	25.2	35.9
Wool fabrics, woven.....	M mn. sq yds	37.5	34.8	31.5	25.6	31.5	25.9	31.1	34.0	36.0	...
Engineering production:											
Passenger cars and chassis.....	W '000s	10.05	9.15	8.62	8.20	7.51	5.34	12.65	11.51	13.21	7.26
Commercial vehicles and chassis.....	W "	5.02	4.96	4.65	4.40	4.52	2.56	4.92	4.33	4.57	2.87
Metal-working machine tools.....	M '000 tons	9.63	11.09	12.58	13.02	11.54	9.60	13.13	11.82	11.78	...
Internal combustion engines.....	M '000BHP	298	353	331	328	302	236	332	308	332	...
BUILDING ACTIVITY											
Permanent houses completed (°)											
Total.....	M '000s	16.51	16.24	19.99	20.47	19.99	17.82	26.01	26.60	27.21	24.84
For private owners.....	M "	2.28	1.88	2.86	2.75	2.76	2.71	4.61	5.22	5.55	5.52
For local housing authorities.....	M "	13.64	13.55	16.11	16.59	16.08	14.38	20.15	20.15	20.09	18.04
Other.....	M "	0.60	0.81	1.03	1.13	1.15	0.73	1.25	1.23	1.56	1.27
WHOLESALE SALES (°)											
Textile houses:											
Total home sales.....	Av. value 1950=100	100	104	90	64	63	67	91	69	67	78
Women's and children's wear.....	"	100	100	90	62	60	72	94	65	66	85
Men's and boys' wear.....	"	100	104	82	66	66	55	92	78	70	68
Piece-goods.....	"	100	103	68	46	44	53	67	51	56	58
RETAIL SALES (°)											
Large retailers:											
All merchandise.....	Weekly av. value 1950=100	100	109	117	114	117	109	126	121	124	...
Clothing and footwear.....	"	100	110	110	109	113	91	126	109	117	...
Household goods.....	"	100	108	102	87	101	89	111	95	113	...
Independent retailers:											
Clothing and footwear.....	"	100	100	95	90	102	80	109	89	101	...
Household goods.....	"	100	112	109	90	97	94	125	105	111	...
STOCKS											
Basic materials:											
Coal, distributed (°).....	'000 tons	12,423	16,115	16,311	16,531	17,703	17,767	13,895	15,181	15,815	15,861
Steel.....	"	995	585	739	657	762	816	902	914	...	...
Copper.....	"	104.3	113.4	132.0	106.8	107.6	121.2	182.5	185.9	198.6	...
Sulphur.....	"	81.1	99.4	211.8	148.6	186.2	199.1	160.5	159.4	142.8	...
Newsprint.....	"	99.0	109.9	189.7	162.9	166.0	166.8	157.9	149.0	143.1	...
Softwood.....	'000 stds.	217	724	616	657	677	672	618	694	753	...
Textiles:											
Wholesale houses, total (°).....	Av. value 1950=100	86	129	74	107	100	98	87	89	99	104
Large retailers, clothing and footwear (°)...	"	89	106	92	113	98	97	110	108	100	...

(¹) Great Britain. (²) Provisional estimate.

British Commonwealth

PRODUCTION OF FUEL AND POWER (1)

Monthly averages or calendar months	Coal				Crude petroleum		Electricity				
	Australia	Canada	India	S. Africa	Canada	Pakistan	Australia	Canada	India	N. Zealand	S. Africa
	'000 tons						million kwh				
1938.....	973	805	2,362	1,305	74	...	363	2,180	...	118	478
1951.....	1,468	1,216	2,869	2,142	503	12.5	875	4,785	489	288	972
1952.....	1,620	1,153	3,019	2,235	646	14.7	942	5,149	517	...	1,045
1953											
April.....	1,402	907	3,244	2,249	682	15.4	1,017	5,748	531	254	1,034
May.....	1,396	917	3,159	2,322	782	...	1,121	5,765	560	335	1,149
June.....	1,469	939	3,148	2,279	864	...	...	5,265	...	277	1,134
July.....	1,761	917	...	...	1,017	...	...	...	...	...	...

PRIMARY PRODUCTION (2)

Monthly averages or calendar months	Copper		Rubber		Tin	Steel				Gold		
	Canada	N. Rhodesia	Ceylon	Malaya	Malaya	Australia	Canada	India	S. Africa	Australia	Canada	S. Africa
	'000 tons									'000 fine ounces		
1938.....	17.7	17.7	4.2	30.0	5.31	100	96	78	25	132.7	394	1,013.4
1951.....	18.1	25.9	8.8	50.4	5.49	122	265	125	83	74.6	366	959.7
1952.....	17.2	25.1	8.0	48.7	5.24	137	277	132	103	81.9	373	983.3
1953												
April.....	17.7	27.6	7.0	43.1	5.07	159	323	123	110	81.8	370	981.2
May.....	17.9	27.9	7.5	45.6	4.66	172	329	125	111	87.0	369	997.9
June.....	18.8	32.0	7.5	44.4	4.16	172	315	115	110	...	362	969.8
July.....	16.8	31.0	6.5	52.1	5.91	179	...	...	109	...	...	1,030.1
August.....	...	...	9.5	52.6	...	...	...	...	...	...	...	1,017.4

EXTERNAL TRADE (3)

Monthly averages or calendar months	Australia		Canada		India		New Zealand		Pakistan		S. Africa	
	Imports	Exports	Imports	Exports	Imports	Exports	Imports	Exports	Imports	Exports	Imports	Exports
	mn. £A		mn. C\$		mn. rupees		mn. £NZ		mn. rupees		mn. £SA	
1938.....	10.6	11.8	56	71	...	...	4.62	4.76	...	...	7.97	2.71
1951.....	61.8	81.8	340	330	787	619	17.21	20.61	135.0	212.8	39.17	28.82
1952.....	87.5	55.7	336	363	550	482	21.04	20.00	178.3	167.4	35.01	27.71
1953												
April.....	43.3	79.4	392	305	555	383	12.68	26.87	78.6	91.7	37.41	28.22
May.....	44.2	73.3	422	335	574	401	12.51	25.80	67.3	113.0	36.01	27.70
June.....	42.0	74.6	409	416	537	390	...	25.36	58.0	103.0	32.90	24.46
July.....	51.8	80.0	...	398	...	...	...	...	...	...	...	...

EXCHANGE RESERVES AND PRICES (4)

Monthly averages or calendar months	Gold and Foreign Exchange Holdings					Cost of Living						
	Australia	Canada	India	New Zealand	S. Africa	Australia	Canada	India	New Zealand	Pakistan	S. Africa	S. Rhodesia
	End of period: mn. US dollars					1948 = 100						
1938.....	214	220	485	41	259	69	66	35	72	...	68	71
1951.....	1,016	1,795	1,887	127	386	146	118	109	119	99	116	122
1952.....	944	1,862	1,729	120	381	170	121	111	129	101	126	133
1953												
April.....	...	1,848	1,751	200	331	...	119	118	...	114	128	137
May.....	...	1,764	1,740	220	322	177	119	120	...	111	129	137
June.....	...	1,752	1,745	221	306	...	119	122	...	110	131	137
July.....	...	1,757	1,726	221	...	...	120	122	...	111	130	137
August.....	...	1,764	...	221	...	...	120	...	...	...	...	...

(1) Petroleum production in Canada in 1938 and 1951 includes natural gasoline. Annual figures of electricity production in Australia are for 12 months ended June 30th of year stated and for New Zealand 12 months beginning April 1st; monthly figures for New Zealand represent about 87 per cent of total generation. (2) Copper production is smelter; tin is primary metal. (3) General trade (including re-exports) except for Canada, which is special trade only. Imports are c.i.f. except for Australia, Canada and S. Africa which are f.o.b.; exports are f.o.b. Trade for India and Pakistan includes that going by land; annual figures for India are for 12 months beginning April 1st of year stated and for Australia and Pakistan 12 months ended June 30th. (4) Gold and foreign exchange holdings are those of the government and central bank; only figures for Australia include holdings of commercial banks. Cost of living for Pakistan is based on 12 months ended March, 1949, as 100; for S. Africa relates to Europeans only.

Financial Statistics

EXCHEQUER RETURNS

For the eleven days ended September 30th there was an "above-line" deficit (after allowing for Sinking Funds) of £6,139,000 compared with a deficit of £43,296,000 in the previous week and a surplus of £26,215,000 in the corresponding period last year, raising the cumulative deficit to £277,202,000 (£293,211,000 in 1952-53). Net expenditure "below-line" absorbed £6,226,000, bringing the total cumulative deficit to £502,634,000 (£590,406,000 in 1952-53).

£'000	Estimate, 1953-54	April 1, 1952 to Sept. 30, 1952	April 1, 1953 to Sept. 30, 1953	Ten days ended Sept. 30, 1952	Eleven days ended Sept. 30, 1953
Ord. Revenue					
Income Tax.....	1782,250	474,102	450,188	11,957	14,626
Sur-tax.....	127,000	33,600	33,100	1,800	1,500
Death Duties.....	160,000	73,300	80,600	3,400	3,500
Stamps.....	52,000	24,450	26,100	900	1,200
Profits Tax & EPT	214,000	193,400	101,000	8,900	4,300
Excess Profits Levy	99,500	...	33,050	...	1,900
Special Contribution and other Inland Revenue	1,000	950	520	40	90
Total Inland Rev.	2435,750	799,802	724,558	26,997	27,116
Customs.....	1044,300	513,988	527,030	24,796	29,126
Excise.....	680,480	359,638	357,758	26,085	24,045
Total Customs and Excise	1724,780	873,626	884,788	50,881	53,171
Motor Duties	69,000	11,763	13,498	...	153
FO (net receipts).....	2,685	...	...	...	...
Broadcast Licences.....	16,000	5,050	5,850	1,000	1,100
Sundry Loans.....	25,000	18,758	19,347	...	63
Miscell.....	95,000	47,568	64,739	11,783	12,917
Total	4368,215	1756,567	1712,780	96,661	96,519
Ord. Expenditure					
Debt Interest.....	615,000	274,715	276,807	4,410	4,097
Payments to N. Ireland Exchequer	48,000	18,861	22,860	1,669	2,012
Other Cons. Fund.....	20,000	4,634	4,883	84	69
Supply Services.....	3566,286	1734,825	1668,372	57,834	95,952
Total	4259,286	2033,035	1972,922	63,997	102,130
Sinking Funds	...	16,743	17,060	449	527
"Above-line" Surplus or Deficit	...	-293,211	-277,202	+26,215	-6,139
"Below-line" Net Expenditure	...	297,195	225,432	10,906	6,226
Total Surplus or Deficit	...	-590,406	-502,634	+15,309	-12,364
Net Receipts from:					
Tax Reserve Certificates.....	69,094	131,241	10,140	17,265	...
Savings Certificates.....	6,400	19,400	1,000	8,900	...
Defence Bonds.....	37,254	30,036	505	670	...

FLOATING DEBT

Date	Treasury Bills				Ways and Means Advances		Total Floating Debt
	Tender		Tap		Public Depts.	Bank of England	
1952							
Sept. 30.....	4,554.6		278.8	8.3	...	...	4,841.6
1953							
June 30.....	4,597.8		252.3	5.0	...	...	4,855.1
July 4.....	3,170.0	1,438.2	239.8	...	...	...	4,648.0
" 11.....	3,190.0	1,430.0	255.3	2.3	...	...	4,877.5
" 18.....	3,200.0	1,464.0	263.5	0.8	...	...	4,928.3
" 25.....	3,220.0	1,469.0	249.7	3.3	...	...	4,942.0
Aug. 1.....	3,250.0	1,424.3	227.0	...	...	...	4,904.0
" 8.....	3,290.0	1,389.0	208.1	2.8	...	...	4,887.1
" 15.....	3,310.0	1,414.8	225.4	...	...	...	4,950.2
" 22.....	3,330.0	1,422.7	241.8	...	...	...	4,994.5
" 29.....	3,350.0	1,407.6	229.3	...	...	...	4,987.0
Sept. 5.....	3,370.0	1,414.0	219.2	...	...	...	5,003.2
" 12.....	3,400.0	1,395.8	251.7	...	...	...	5,047.5
" 19.....	3,430.0	1,382.1	280.0	...	...	...	5,092.2
" 30.....	4,603.1	...	273.4	...	...	...	5,076.5

THE MONEY MARKET

LOMBARD STREET experienced one of the largest credit turnovers in many years when the lists opened for the new 1962-63 Exchequer stock on Monday. The heavy take-up by banking institutions at first led to an acute shortage of funds, as money was withdrawn from the market, but the authorities soon stepped in to make very heavy purchases of bills both from the banks and from the market direct. Special purchases, though naturally on a much smaller scale, were needed and made on all other days except Saturday in the week to Wednesday last.

In anticipation of receipts from the loan, allotments against the £280 million of Treasury bills offered at last week's tender were scaled down to £250 million. This eliminated the excess of new bills over maturities in the following week. Next week maturities will exceed new issues by at least £10 million; the excess will, of course, be larger than that if the big response to the loan leads to a second under-allotment (the amount offered at yesterday's tender was £250 million). The average allotment rate last week showed scarcely any change from the previous tender—a sign that the new pattern of rates is settling down. The fact that the authorities had "Cut the top off the tender" caused a decline in the market's allotment to 63 per cent of its bid, despite the fall of £14 million in total applications.

The Bank return shows a further outflow of notes of £2.8 million. Government securities held in the banking department rose by £5.3 million, discounts and advances by £4.1 million, and "securities" fell by £9.9 million; the Treasury Special Account fell by £2.3 million and bankers' deposits were virtually unchanged.

LONDON MONEY RATES

Bank rate (from 4%, 17/9/53)	%	Discount rates	
		Bank bills: 60 days	%
Deposit rates (max)		3 months	2 1/2
Banks.....	1 1/2	4 months	2 1/2
Discount houses ..	1 1/2	6 months	2 1/2
Money—Day-to-day	1 1/2	Fine trade bills:	
Short periods.....	1 1/2	3 months	3 1/4
Treas. bills 2 months	2 1/2	4 months	3 1/4
3 months	2 1/2	6 months	4 1/4

LONDON CLOSING EXCHANGE RATES

	Official Rates	Market Rates : Spot						
	Oct. 7	Oct. 1	Oct. 2	Oct. 3	Oct. 5	Oct. 6	Oct. 7	
United States \$	2.78-2.82	2.80 1/2-2.80 1/2	2.80 1/2-2.80 1/2	2.79 1/2-2.80	2.79 1/2-2.79 1/2	2.80-2.80 1/2	2.80 1/2-2.80 1/2	
Canadian \$		2.73-2.73 1/2	2.74 1/2-2.74 1/2	2.74 1/2-2.74 1/2	2.75-2.75 1/2	2.75 1/2-2.75 1/2	2.75 1/2-2.75 1/2	
French Fr.	972.65-987.35	980.1-980.1	981-981 1/2	982-982 1/2	980.1-980.1	980.1-980.1	980.1-980.1	
Swiss Fr.	12.15 1/2-12.33 1/2	12.17 1/2-12.17 1/2	12.17 1/2-12.18 1/2	12.17 1/2-12.18 1/2	12.17 1/2-12.18 1/2	12.17 1/2-12.18 1/2	12.17 1/2-12.18 1/2	
Belgian Fr.	138.95-141.05	139.95-140.05	139.95-140.05	139.95-140.05	140.00-140.10	140.00-140.10	140.00-140.10	
Dutch Gld.	10.56-10.72	10.61 1/2-10.62	10.62-10.62 1/2	10.62-10.62 1/2	10.62-10.62 1/2	10.62-10.62 1/2	10.62-10.62 1/2	
W. Ger. D-Mk.	11.67 1/2-11.84 1/2	11.68 1/2-11.68 1/2	11.69 1/2-11.69 1/2	11.69 1/2-11.69 1/2	11.69 1/2-11.69 1/2	11.69 1/2-11.69 1/2	11.69 1/2-11.69 1/2	
Portuguese Esc.	79.90-81.10	79.90-80.00	79.90-80.00	79.90-80.00	79.90-80.00	79.90-80.00	79.90-80.00	
Norwegian Kr.	14.37-14.53	14.43 1/2-14.44 1/2	14.44-14.44 1/2	14.44 1/2-14.44 1/2	14.44 1/2-14.44 1/2	14.43 1/2-14.43 1/2	14.42 1/2-14.43 1/2	
Danish Kr.	19.19 1/2-19.48 1/2	19.35 1/2-19.36 1/2	19.36-19.36 1/2	19.36-19.36 1/2	19.36-19.36 1/2	19.36-19.36 1/2	19.36-19.36 1/2	
Norwegian Kr.	19.85-20.15	19.98 1/2-19.98 1/2	19.98 1/2-19.98 1/2	19.98 1/2-19.98 1/2	19.98 1/2-19.98 1/2	19.98 1/2-19.98 1/2	19.98 1/2-19.98 1/2	
One Month Forward Rates								
United States \$		1c. pm-par	1c. pm-par	1c. pm-par	1c. pm-par	1c. pm-par	1c. pm-par	
Canadian \$		Par-1c. dis	Par-1c. dis	Par-1c. dis	Par-1c. dis	Par-1c. dis	Par-1c. dis	
French Fr.		4-8 dis	3-6 dis	3-6 dis	3-6 dis	3-6 dis	3-6 dis	
Swiss Fr.		1 1/2-1c. pm	1c. pm-par	1c. pm-par	1c. pm-par	1c. pm-par	1c. pm-par	
Belgian Fr.		Par-1/2 dis	Par-1/2 dis	Par-1/2 dis	Par-1/2 dis	Par-1/2 dis	Par-1/2 dis	
Dutch Gld.		2-1c. pm	1 1/2-1c. pm	1 1/2-1c. pm	1 1/2-1c. pm	1 1/2-1c. pm	1 1/2-1c. pm	
Swedish Kr.		Par-20 dis	Par-10 dis	Par-10 dis	20 pm-20 dis	20 pm-20 dis	20 pm-20 dis	
Danish Kr.		Par-30 dis	Par-30 dis	Par-30 dis	Par-30 dis	20 pm-20 dis	20 pm-20 dis	
Norwegian Kr.		Par-30 dis	Par-30 dis	Par-30 dis	Par-30 dis	20 pm-20 dis	20 pm-20 dis	

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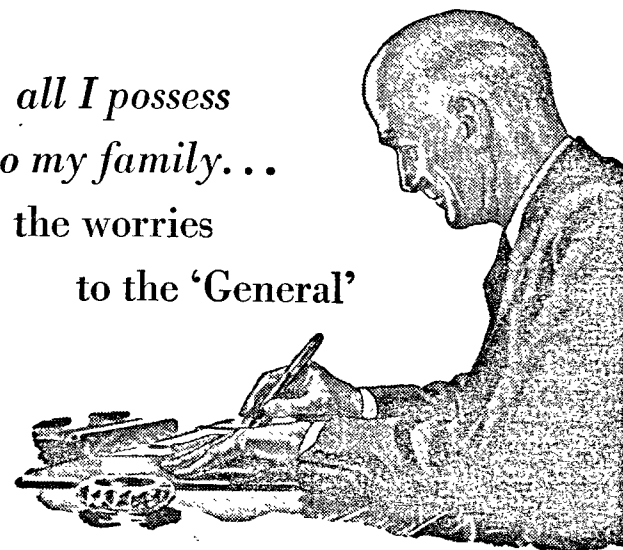
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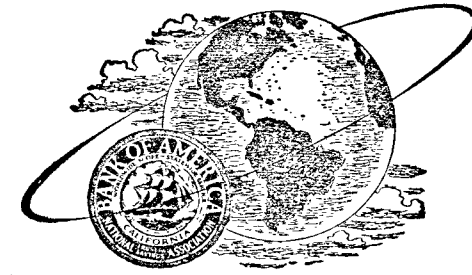
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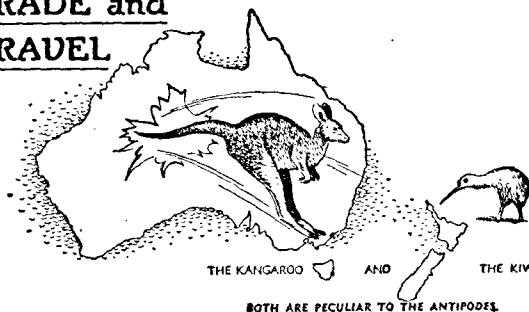
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COMPANY MEETINGS

LONDON TIN CORPORATION

CHAIRMAN'S SPEECH

The twenty-seventh annual general meeting of London Tin Corporation, Limited, was held on October 6th at The Chartered Insurance Institute, 20 Aldermanbury, London, E.C.

Mr J. Ivan Spens, OBE, chairman of the corporation, who presided, said:

ACCOUNTS

The profit for the year before taxation is £1,358,893, compared with the previous twelve months of £1,139,577, an increase of £219,316. Taxation, however, takes £910,000 this year, against £723,070 last year, an increase of £186,930, so that our net profit, after taxation, comes out at only £32,386 above last year. The excess profits levy for the year is estimated at £170,000, as against £40,000 for the four months of the previous year, to which this tax applied. Further appeals to the Board of Inland Revenue against the basis on which this corporation is assessed for E.P.I. were unsuccessful. This corporation has, since its inception, passed through many difficult years, including the years of the war when the Japanese were in occupation of Malaya, where two-thirds of the corporation's interests are situated, and when no dividends were paid.

The Malayan companies were still rehabilitating during the years 1947, 1948 and 1949, and it was not until 1950 that dividends again began to flow.

The Finance Act, 1952, gave a certain measure of relief to companies whose business was in territory occupied by the Japanese during the war years, by bringing in the year 1950 for calculation of the standard profit and also by applying an overriding limit of 10 per cent for companies operating overseas, instead of the 15 per cent limit for other companies. The Revenue, however, would not allow the corporation to have the benefit of any of these concessions, although the corporation's profits arise almost wholly from companies operating overseas. There can be no regrets that this unfair and burdensome tax is to be withdrawn at the end of 1953.

Your directors on reviewing the provisional results of the year's working considered that it would be in the interests of shareholders if the profits were distributed as early as possible after the end of the corporation's financial year instead of as in recent years by declaring an interim dividend in May and recommending a final dividend payable after the accounts had been passed. To this end they declared an interim dividend of 22 per cent, and do not recommend any further dividend for the year under review.

PRICE OF TIN

What is needed in the tin industry, by the producer and consumer, is a reasonably stable price. Violent fluctuations in the price are embarrassing to everyone concerned and cause uncertainties which make economic planning most difficult. Also what is needed by both producer and consumer is an industry which is working on a sound basis, a basis which the producer finds remunerative and which encourages him fully to meet the market's requirements and to plan and make provision for the continuity of production at a level which will satisfy any demands made. It is to this end that it has been decided to reconvene the International Commodity Con-

ference held in Geneva under the auspices of the United Nations in 1950 and which was adjourned.

It must be borne in mind that in the tin industry there is special need for large reserves of money to be held by producing companies. In Malaya and Siam the area on which a dredge works has only a fixed life. To find new areas needs continuous and large-scale prospecting as and when conditions permit. This prospecting is done for us by Anglo-Malayan Development, Limited, in which company this corporation and the producing companies which are under the management of your subsidiary, Anglo-Oriental (Malaya), Limited, who supervise its activities, are interested.

Any dredge being moved to a new area has to be dismantled, transported and re-erected on its new site, and more often than not requires considerable alteration during re-erection, to make it suitable for the new area. This work now costs some three to four times the prewar figure. The finance for all this must be accumulated over the years, and unless this can be done there can be no continuity in the production of tin.

The problem in Nigeria is similar. The grade of ground available is declining and the ground itself is becoming more difficult to work. To meet these conditions, new and high-costing plant has to be ordered and, consequently, reserves of cash must continuously be built up.

MALAYA

Conditions in Malaya continued to improve during the year. There is still the threat of a large number of well-armed bandits in the jungles, but shooting incidents have become fewer and the number of bandits accounted for has increased. There remains, however, for the staffs on the mines every need to ensure that they and the valuable mining equipment in their charge are adequately protected, and I am glad to say that during the year our staff, European and Asian, suffered no fatal casualties, and there was no damage to plant or equipment. Malaya, during the period under review, maintained production at the previous level, and to this extent Communist activities have failed in their object to disorganise industry. The output of the mines under the management of Anglo-Oriental (Malaya), Limited, was 16,636 tons of concentrates, as compared with 17,588 in the previous 12-monthly period, but this reduction was due to the fact that six dredges worked out their areas during the year, whereas only one dredge started up after transfer to a new area.

Of these six dredges three are being re-erected on new areas and three are waiting the acquisition of new areas. Prospecting has, as shareholders are aware, been almost completely in abeyance due to the security position, but the High Commissioner has recently offered special protection in certain areas so that a resumption of prospecting work can be made. It must necessarily be some time before results are obtained.

I advised shareholders in my speech last year that a large number of war damage compensation claims had been agreed and that 75 per cent of the awards had been paid. It is disappointing that the balance of these claims, which I understand will be about 15 per cent, has not yet been settled, but there is reason to believe that the final settle-

ment may take place in the not too distant future.

I am happy to report that after a recent inspection of a number of the mines under Anglo-Oriental Malaya's management Anglo-Oriental Malaya were congratulated on the excellent arrangements made on the mines for the welfare of the staffs, both European and Asian.

SIAM

Two of the dredges situated in Siam have now worked out their areas and are in course of transfer to new properties. One other dredge which has not been in operation since the war is in course of rehabilitation and it is hoped will be ready to run trials by the end of 1953.

BURMA

Conditions of unrest in Lower Burma, where the mines of Tavoy Tin Dredging Corporation, Limited, are situated, are still such that any mining activities are out of the question and European staff are not permitted by the Government of Burma to visit the mines.

The Burma Government has quite lately called a meeting of the tin-producing companies in Burma and proposed that they should be formed into a joint venture with Government. The implications of this suggestion are not yet clear, but are being carefully studied.

NIGERIA

Production of tin concentrates from the mines managed by A. O. Nigeria, Limited, remained on the level at which the mines have been running now for some years and which is the level of their most economic production. Columbite output increased from 310 tons in 1951 to 604 tons in 1952, equivalent to some 39 per cent of the world's total production. The 100 per cent bonus on the price for columbite which has been offered by the Government of the USA until 1956 or until their stockpile is completed, is acting as a stimulant to production and every effort is being made to find new sources of supply. Considerable quantities of columbite ore have been found in the biotite granite of the plateau in Nigeria and Keffi Tin Company, Limited, a wholly owned subsidiary of Amalgamated Tin Mines of Nigeria, Limited, is now working on this and has lately commenced production.

Political conditions in Nigeria have been most difficult, but it is hoped that the recent conference between the Secretary of State for the Colonies and representatives of the Nigerian political parties will stabilise the position and that the machinery of government will run more smoothly.

NYASALAND

This corporation has formed a locally registered company, London Nyasaland Mining Corporation, Limited, to prospect for minerals in that country. Government geological reports have indicated mineralisation in certain areas, but it is too early yet to say whether they can be worked economically.

GENERAL PROSPECTING

The lead-zinc deposits in Nigeria to which I referred in my speech last year have been
(Continued on page iii)

THE IRISH ECONOMY

Recapturing Lost Opportunities

The Paradox of Protection

WHEN the state that now forms the Republic of Ireland obtained self-government in 1922 it inherited an economy possessing strongly marked characteristics. Some were the result of climate and geographical position, others could be attributed to the course of Irish history. Apart from some well-known and highly developed concerns engaged in brewing, distilling, foodstuffs and textiles, by far the greater part of Irish industry had been established in the six counties of Ulster that remained part of the United Kingdom. The new state was thus overwhelmingly dependent on agriculture. The type of agriculture practised was principally the rearing of livestock for the British market, joined with a certain amount of dairying. Though considerable progress had been made in improving the technique of agricultural production and marketing, the Irish trade was not at all as highly developed as its competitors.

Nevertheless, agriculture had prospered in the first two decades of the century. The Irish farmer traditionally places his savings in the banks as time deposits. Such deposits began to grow in the later decades of the nineteenth century. The total of time deposits in the Irish banking system grew very rapidly in the period of rising prices before 1914 and still more rapidly during the war years. If the new state inherited an economy that was lopsided and undeveloped, it was nevertheless a creditor economy.

This was a considerable initial advantage. But, many Irishmen maintained, it was an advantage that had been dearly purchased. The dominant fact of Irish economics was the constant loss of population by emigration. The population of the twenty-six counties had fallen to 3,140,000 in 1911 from a peak of 6,529,000 in 1841, four years before the beginning of the Great Famine, and there seemed no reason why the decrease should not continue indefinitely. The loss was attributed to two main causes: to a pastoral economy which gave a minimum of employment and to the lack of industries. Ireland, the argument

continued, should not export both its people and its savings; an economic policy that looked first to the needs of the domestic market would soon stimulate the growth of native industry; it would stem emigration and recapture the lost opportunities of the nineteenth century.

The instrument by which these aims were to be attained was a thorough-going policy of protection. Self-government afforded the power to use it. Moreover, the course of events has provided fresh arguments for this policy. In 1932, the depression was used as a justification for full-scale protection; since then, the war and currency restrictions have assisted the protectionist case. But in the last resort this case does not rest on the accidents of contemporary politics or economics; it has deeper roots in a feeling that Ireland was deprived of industrial development and a stable population in the nineteenth century, by the combination of Free Trade and the Legislative Union, and that the first business of a self-governing country must be to make up the time then lost. There is a tendency now to reconsider some of the assumptions on which protectionist policy has been based but its emotional impetus is still strong enough to carry it forward.

Over the last thirty years, therefore, economic development has occurred in industry rather than in agriculture; agricultural production has changed in form but not in volume. It has been directed towards supplying the domestic market, so that some forms of produce that were freely exported in the 1920s are now either not available for export at all or cannot be sold at competitive prices. The necessity of importing butter in the last two years is symbolic. On the other hand, industrial production and employment have shown an impressive expansion.

This industrialisation, accompanied by a shift of population to the cities and an increase in the number of wage-earners, has been reflected in increased consumption. It has not reduced Ireland's dependence on agriculture. The country can, as its citizens learned during the war, provide much of the necessities of life from its own resources. But

luxuries and semi-luxuries have to be imported, whether they come in ready-made or in the shape of raw materials to be manufactured by native concerns. Generally speaking, the new industries must import their materials. The result is a greater and more immediate need to import than was the case thirty years ago, and accordingly there is a more pressing necessity to sell abroad in order to earn imports. And, to complete the circle, those sales abroad are mainly composed of agricultural produce. Thus twenty years of concentration on industrial production has produced in fact an increased dependence on agriculture. That is the paradox.

Urban Expansion

Meanwhile, however, the usual results of industrialisation have not been lacking. There seems to be no present prospect of arresting the growth of Dublin, although its effective population has already grown from 419,000 in 1911 to 634,000 in 1951 and now forms over 21 per cent of the total population of the state. In sympathy, building has become a major industry, increasingly difficult to finance now when there are so many other claims on an inadequate volume of savings. The number of agricultural workers has not only fallen; the rate of loss seems to be increasing. Between 1938 and 1946 the fall was 17,000; between 1946 and 1951 it was a further 79,000, reducing the number to 441,000. In contrast, the numbers engaged in industry have risen from 166,000 in 1938 to 219,000 in 1952; and the disparity between urban and rural wages seems certain to intensify these trends.

An important political result is a great increase in the economic power of the state. This, of course, has happened everywhere, but the process has been unusually rapid in Ireland. It is not a matter merely of state intervention by tariffs and import controls. The energy with which industrialisation has been pursued has led to considerable economic centralisation. As elsewhere, the state has been

forced to salvage such wrecks of private enterprise as the railways. It has also sponsored a number of public utilities, such as the bodies set up for the production of electricity, for the production and processing of sugar-beet, for the use and development of the turf-bogs, for aviation services and the construction of air-fields. All these enterprises are, with minor qualifications, financed out of public funds and administered by semi-state bodies. Certainly they would not have yet progressed far had they been left to private initiative; but the implications of public intervention on such a scale have still to be studied. Paradoxically, an individualistic and still capitalistic-minded society is now socialised to a very high degree. The process has been aggravated by the postwar policy of high annual capital investment by the state. Between 1948 and 1951, public issues of stock amounted to £62 million, of which £54 million was issued on behalf of the state, public authorities or semi-state bodies.

The concomitants of this energetic, widely spreading state activity are high taxation and a high cost of living. These bear hardly in a country where extraordinarily few people (less than 200,000) pay direct taxes and where there are special reasons to encourage individual enterprise and investment. Social services, which are certainly in need of an overhaul, tend to be framed along British lines; they work less efficiently in a community that is still far from being predominantly wage-earning. There is real danger that the general increase in public expenditure and the level of costs will weaken still further the capacity of the economy to sell abroad and pay its way. It is true that the decline in population has been arrested. The 1951 Census showed an addition of some 5,000 to the population since 1946—a modest increase that is the first recorded at a Census since 1841. But it remains to be seen whether these trends can be continued in an increasingly competitive world or whether they are only temporary results of the favoured position of Ireland in the postwar period.

From Cattle to Wheat—and Back?

AGRICULTURE in Ireland depends on the family farm. It is a small unit: of a total of 317,000 holdings exceeding one acre, 173,000 are of less than 30 acres. This is the result of the Land Purchase Acts by which, between 1885 and 1909, property in land was transferred from the landlord to the tenant. In the circumstances of that period, and indeed for long afterwards, the family farm had many economic advantages. It was carried on by unpaid labour, and costs could be easily reduced in any period of falling prices. It provided, when material wants were modest, a considerable degree of self-sufficiency. It encouraged and facilitated thrift. Thus the greater part of the savings made by the community were the product of its agricultural sector. These characteristics persist in some degree to the present day. The Irish farmer must be one of the few of his kind who has more money on deposit than he owes to the bank.

These advantages of the small family farm were balanced by some inherent drawbacks. So many individual producers suffered serious disadvantages in marketing their

produce. It was also difficult for them to keep abreast of changes in technique. The object of the co-operative movement which grew up in the concluding years of the nineteenth century was to remedy these weaknesses. It still does excellent work, though it has had to surrender many of its functions in this field to the state. But its activities have been concentrated in the dairying areas. Moreover, the trend of the times is against the small farm; mechanisation and collective marketing present problems which the individual producer with limited resources meets with increasing difficulty. A change of outlook is also needed. Expenditure on equipment makes demands which the farmer is not always willing, even if he is able, to meet. The savings which have been, and are still being, made are earmarked as provision for the family, for education and dowries as much as for old age; they will not usually be put back into the land. There is more to it than that. The Irish farmer might do all the things that he is exhorted to do—re-seed his grasslands or adopt winter dairying—if he could abandon the suspicion that his interests do not

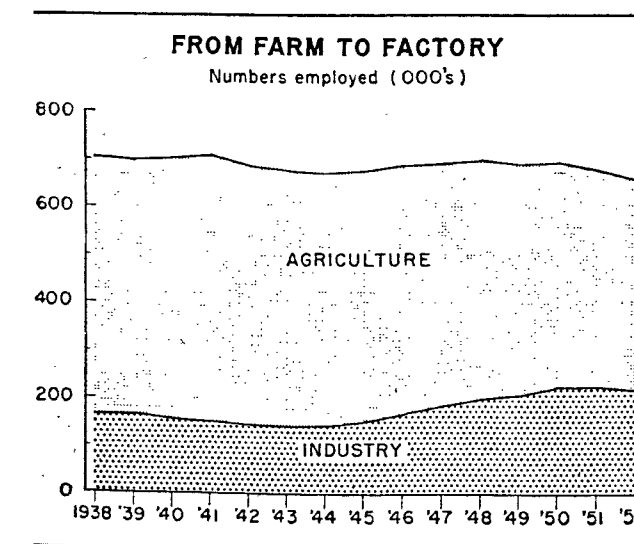
rank high in official priorities and that economic policy is directed towards the cities and factories at the expense of the countryside and farms. However that may be, the fact remains that the input of fertilisers and the degree of mechanisation are both extraordinarily low (though the latter has increased lately) by western European standards. These may stand as examples of a reluctance to invest which is possibly inherent in a small farm economy, but has been greatly strengthened by a distrust of official policy.

Irish farming has rested on livestock production. The beef and dairying trades are closely connected in so far as the graziers do not usually rear their own beasts, but buy calves from the dairying areas. In their turn, the production of pigs and poultry—which are of exceptional importance to the small farmer—depends largely on the dairying trade. Traditionally, tillage was directed towards the provision of feedingstuffs for livestock, rather than for direct human consumption. Ireland's was an agricultural economy designed to produce exports.

A Static Agriculture

The first ten years of the new state did not alter this much, but the change of government in 1932 produced an insistence on encouraging wheat-growing, which had almost disappeared during the second half of the nineteenth century. The depression and the Anglo-Irish dispute over the land annuities also caused production to be diverted to the needs of the home market. Subsidies and tariffs were granted or imposed and a number of marketing bodies were set up, after the fashion generally prevailing in the 1930s. The measures then taken have not been substantially revised since. Indeed, it is difficult to think of any occasion, except when the Anglo-Irish Trade Agreement of 1938 gave promise of a new start, when they could have been. The trade agreement was overtaken almost at once by the enforced self-sufficiency of war; and since 1945 the export trade has been governed by currency restrictions and government controls; so also has the capacity to import fertilisers and feedingstuffs. But the change in the world economic situation in the last two years makes the need for a re-examination of policy more urgent.

In all these changes, the total volume of agricultural pro-



duction has remained stable or, if the word be preferred, static. If 1938-39 (not itself a good year) is taken as a base, the volume of output in the principal agricultural commodities was last year only one half of one per cent higher. But there were significant changes in the composition of the output; from 1938 to 1952 the volume of output of crops and turf rose by 10 per cent, while the volume of output of livestock and livestock products fell by 2.6 per cent. Some detailed comparisons may be made over the last twenty years. The number of dry cattle was 2,707,000 in 1931 and 3,060,000 in 1952; of dairy cattle, 1,300,000 in 1931 and 1,245,700 in 1952. The number of sheep fell from 3,575,000 to 2,837,000; of pigs from 1,227,000 to 712,000; and of poultry from 22,782,000 to 19,563,000. The acreage under wheat rose from 21,000 in 1931 to 253,000 in 1952; under beet from 5,000 to 56,000. The acreage under oats was 623,000 in 1931 and 608,000 in 1952. The total tillage area was 1,418,000 acres in 1931 and 1,692,000 acres in 1952.

Three conclusions may be drawn from these comparisons. The first is that the exportable content of agricultural production has decreased in the last twenty years. In 1929-30, 50 per cent of Ireland's agricultural output was exported; the proportion in 1952 was 34 per cent. The second conclusion is that the position of the larger farmer, who can use mechanisation to advantage, has been strengthened while the small farmer, whose fortunes depend on dairying, has been weakened. The third conclusion is that the predominance of cattle, within the exports of Irish agriculture, has actually been enhanced in spite of, or partly

AGRICULTURAL OUTPUT
(All figures in thousands)

	1929-30	1938-39	1947	1952
Cattle and calves (number)	928	937	903	929
Sheep and lambs (number)	1,085	1,135	731	951
Pigs (number)	1,450	1,371	628	864
Poultry (number)	12,400	9,520	8,641	12,029
Wool (lb)	14,747	13,033	9,574	11,931
Eggs (120s)	11,709	8,978	6,590	6,732
Milk (consumed by persons)				
('000 gals)	82	92	98	104
Milk (used in industry)				
('000 gals)	197	197	157	212
Farmers butter (cwt)	567	452	420	326
Wheat (cwt)	221	3,356	4,277	4,146
Oats (cwt)	2,521	2,353	2,093	1,846
Sugar beet (tons)	141	395	451	546

because of, policies that were adopted as a reaction against it.

Ireland depends even more now than it did twenty or thirty years ago on the capacity of its farmers to sell abroad. Moreover, greater food supplies from Ireland must be important to a world where the long-term tendency seems to be set against the food importing countries. Spokesmen for the farmers place the responsibility for the stagnation of output on the deflectionary policies of the state. They say that in encouraging industry governments have injured the agricultural interest in many ways. In the first place, the postwar policy of capital investment has been directed principally to schemes of importance to city-dwellers, and

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little has been done to restore soil fertility. Labour has been drawn from the farm to the factory and building site. This, the argument continues, is only an aggravation of the urban bias already disclosed by the policy of industrial protection. The farmer cannot be blamed for not putting his earnings back into the land when everything that he uses, from fertilisers to wheelbarrows, is subject to a tariff. Agriculture must sell in an export market and yet must bear the costs of a small domestic market which is heavily protected. In the second place, the critics emphasise that milk yields are absurdly low and that the overheads of the dairy farmers are thus greatly increased.

The consequences of neglecting agriculture are already shown in the disappearance or precarious survival of some forms of export that were taken for granted twenty years ago—such as butter, pork, eggs and poultry. If the same conditions continue, even the food-processing industries that have grown up lately, such as chocolate-crumbs and the dead meat trade, will not be able to expand and may not maintain themselves. Other results have been the

impoverishment of the small farmer, who is now turning to cattle on his own account, and the shift of population from the land.

Whether or not this is a full analysis, it is certain that the volume of production is capable of considerable expansion, which would greatly and almost immediately increase the exportable surplus. The doubt is whether the comparatively modest effort needed will be made. It depends on whether present policies can be revised—whether, that is, the agricultural interest receives a higher priority than it has at present. Until it obviously does so, the farmer is not likely to be moved by appeals to redress the balance of payments for the benefit of the city dweller. But if he could be convinced that government policy will be both favourable and stable, an appreciable increase in output could be obtained. There would then remain the long-term problems, the solution of which is not even in sight, of agricultural credit, of better research into agricultural technique and costings, and of passing on the results of such research to the farmer.

The Fruits of the Tariff

IN the history of Anglo-Irish relations, commercial and political issues have never been separated for long; and to Irishmen the fiscal power is accordingly one of the most important attributes of political independence. But the force of protectionist feeling must also be related to the exceptional problem of a country whose population has been reduced by emigration. The other arguments for Irish protection are those that appealed with great force in all the nation states of 1918: unwillingness to remain dependent on the fortunes of a few great industries; desire to introduce new trades and skills; and, transcending economic considerations, the wish to create a more diversified and yet more integrated society. Rightly stated, the traditional Irish arguments for protection are positive, not negative; they look to a building-up, not to restrictionism. But they are deeply coloured by the desire to retain population and there is therefore a tendency to look simply to increased employment and to ignore its real cost in terms of the capital and labour that might be employed in more productive ways elsewhere.

Between 1922 and 1932 the protectionist case was not pushed far. Government policy recognised the prior claims of agriculture. A thriving agriculture, it was argued, would provide the best possible market for industrial production, indeed the only possible market for most of it. The farmers had to sell their produce in an export market which, in the 1920s, was open to the world. Their costs of production therefore must not be increased unnecessarily, and so the onus lay on those who sought industrial protection; they had to show that the granting of a tariff would be offset in a measurable period by increased production and employment at lessening costs. By modern standards the test seems severe. Nevertheless, a number of protective tariffs were imposed between 1924 and 1931 and a standard by which industrial development might be measured was provided by the first census of industrial production, taken in 1926.

Many of the assumptions on which this selective policy was based had been gravely weakened as the 1930s opened.

The depression strengthened the general arguments for extended and intensified protection. A special argument was added by the return of many emigrants from the United States. When Great Britain adopted protection in the autumn of 1931—under a government, moreover, that was committed to regulating the market for agricultural produce and to assisting British agriculture—the case against a full-scale tariff was undermined. Nevertheless, the end did not come at once: for some months in the winter of 1931-32 Ireland enjoyed the unexpected distinction of being the last surviving adherent of free trading in a protectionist world.

A thorough-going revision of policy was thus inevitable: but the vigour with which it was adopted owed something to extrinsic factors. Happily the tangled issues of the Anglo-Irish dispute over the land amenities need not now be discussed. But the British Government's decision to recoup itself by imposing penal duties on Irish agricultural produce served to underline the dependence of the Irish economy on agriculture and of agriculture on the British market. All the more reason, the Irish concluded, to press on with industrialisation through tariffs.

The Growing Industries

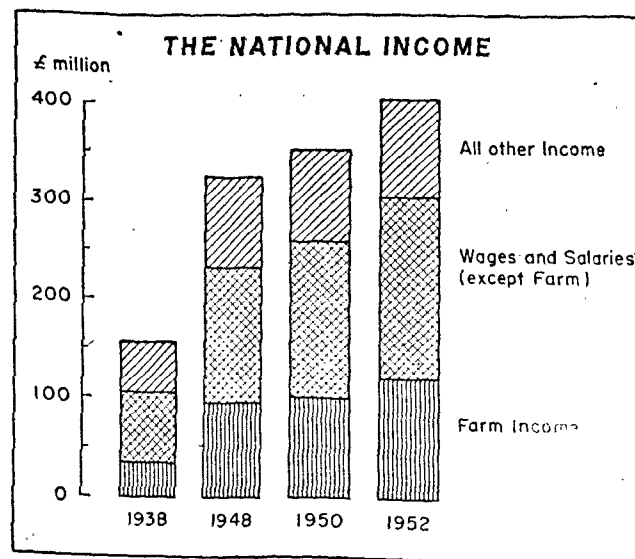
The system then developed has lasted in all essentials until the present day. It was, however, substantially modified during the period of war and postwar shortages. Tariffs now cover pretty well all articles of consumption from swaddling clothes to shrouds. As every type of industry has been fostered, it is almost impossible to generalise about the efficiency of the new industries or to find phrases that will equally apply to the concerns that have sought an export trade with some success, to those that have brought their prices to competitive levels, and to those that obviously are content to enjoy the easier life made possible for them by protection.

The degree to which new industrial employment has

been provided is shown by the increase in the number of workers from 103,000 in 1926 to 219,000 in the relatively unfavourable circumstances of 1952. Of these totals, 45,000 were engaged in building and services in 1926, 81,000 in 1952. Both the degree of development and the possibility of further expansion vary greatly from one industry to another. The textile and clothing industries have gone furthest; for them, as for others such as furniture, the normal demand can now be met from domestic sources. There has also been a considerable development in sisal spinning and in jute spinning and weaving. A number of potteries have been opened or extended. By the operation of a far-flung tariff, a wide range of miscellaneous household goods are also produced. The variety of the industrial expansion prevents generalisation, though mention should be made of cement, the output of which has grown greatly in the last twenty years.

The processing of food has combined—though, as some would say, not yet to the full extent possible—with agricultural production. The sugar beet industry has developed steadily in the past twenty-five years and it is providing a useful lead in spreading co-operative methods and improved techniques among the beet growers. Food preserving has been greatly extended since the war and now covers a wide field from confectionery to tinned beef and preserved vegetables. The meat processing trade has developed in a spectacular fashion in the last few years but it is necessarily dependent, as so many other industries of this kind ultimately are dependent, on expanding primary production and keeping domestic costs low enough to permit entry into foreign markets.

A succession of surveys has so far failed to discover mineral deposits on a scale sufficient to provide materials for competitive industry. In many cases, therefore, the necessity to import materials cannot be escaped. The Irish manufacturer also faces the necessity of training his labour. Though this has presented surprisingly little difficulty, it means that the average rate of wages for skilled labour tends to be higher in Ireland than in Great Britain. These are formidable obstacles to the development of an export trade although they have been overcome in the case of some industries and, more fleetingly, of some individuals whose success in profiting by import restrictions in Great Britain would make highly diverting reading. From other handicaps the Irish manufacturer suffers in common with his



English neighbour: from, as he claims, inadequate depreciation allowances and from heavy taxation. This last may not seem so heavy by British standards; but many Irish industries are still growing and the necessary capital is not easy to find in competition with the public investment programme. On the other hand, the Irish manufacturer has enjoyed a reasonable freedom from industrial disputes and his path is smoothed by the state if he proposes to engage in new branches of production.

There are other aspects that are not so happy. The greatly increased cost of living bears heavily on the earners of salaries and wages, the class that has borne the cost of development. Capital and labour have been diverted from an agriculture that still shows the scars of depression and war. Moreover it would seem that protection has been so freely bestowed that the growth of some promising industries has been impeded by the virtual obligation to use domestically produced or processed materials. Protection and high prices have come to be taken for granted in many quarters. For some manufacturers, the fall in prices since 1951 has been the first they have experienced since they set up business in the 1930s. It is perhaps no wonder that

EMPLOYMENT IN PRINCIPAL INDUSTRIES

	1926	1950	Index of employment, 1950
	Numbers	Engaged	(1926=100)
Building and construction...	9,852	29,666	301
Govt. and local authorities...	17,518	28,515	163
Clothing	4,001	16,843	421
Bread, biscuit and flour confectionery	8,129	10,685	131
Sugar, sugar confectionery and jam	2,174	8,865	408
Printing, publishing, etc....	5,128	8,139	159
Railways and tramways....	9,924	7,987	80
Boots and shoes.....	967	6,559	678
Electricity	1,319	6,509	494
Assembly, construction and repair of vehicles.....	1,447	5,940	411
Metals.....	1,267	5,841	458
Hosiery.....	849	5,384	634
Engineering and implements	1,081	5,379	498
ALL INDUSTRIES.....	102,515	219,009	214

they should describe the process as "deflation"; it is more surprising that the expedient of still higher tariffs should have been adopted as a nostrum. Such psychology provides a severe handicap to the manufactures that show the greatest promise.

But even if instincts that have deep roots in history could be disregarded, it is difficult to direct economic criticism against industrial protection in itself. "Defence is greater than Opulence," and it was of considerable importance in the 1940s that the new industries were able to provide in part for the needs of an isolated community. These industries can be regarded as an insurance against being left totally unprovided for: if the premium seems high at times, so is the risk. Criticism rests rather on the belief that the expansion of agriculture, on which industrial prosperity must depend, was not pursued with an equal vigour and sense of purpose. Had things been otherwise it is safe to state that industrial development would have gone still further, that it would be more firmly based, and that it would now share in and utilise the benefits of an expanding economy.

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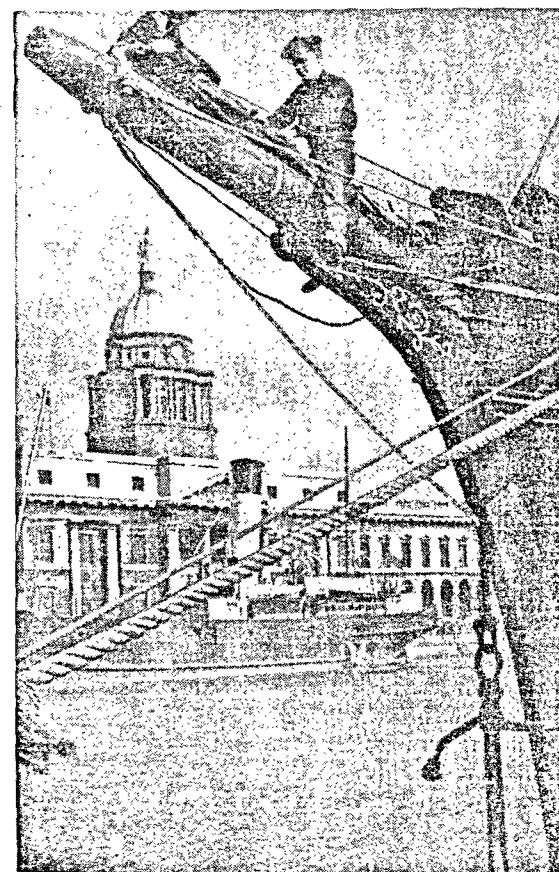
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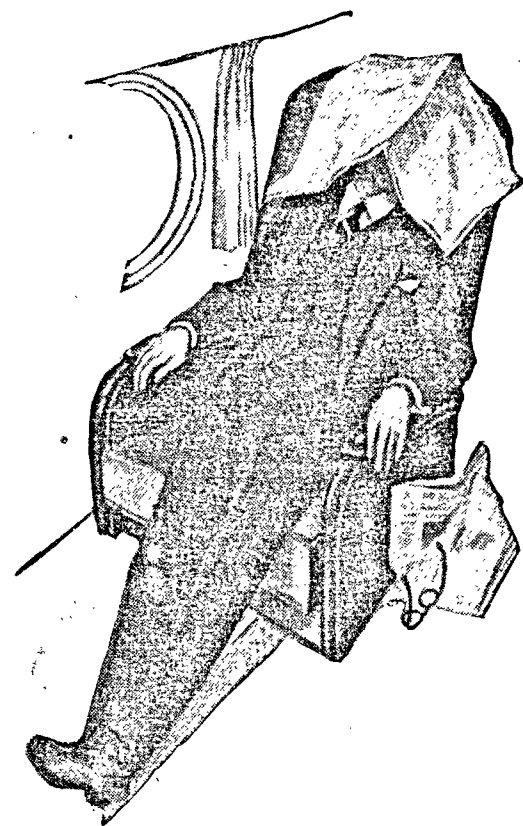
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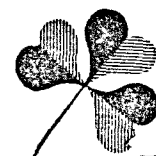
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Capital by Disinvestment

IN tables that claim to compare the income per head in various countries of the world, Ireland ranks fairly high in the second division. Its place is about the same as that of France. In money terms, the national income has expanded continuously since 1938, the first year for which the Central Statistics Office published an official estimate. In real terms, it has remained virtually unchanged in the last two years at a level about one-sixth higher than in 1938.

Since the war national expenditure has been able to exceed income, thanks to loans under ERP, money entering Ireland for investment, and the sale of foreign investments. Personal expenditure in 1952 was about 18 per cent higher, in real volume, than in 1938. Current expenditure by the state and local authorities has risen considerably. Above all, there is the investment programme. In the three years 1950-52, gross domestic capital formation is estimated as having been £182 million. It can fairly be said that only a small proportion of this capital expenditure will help to increase the earning power of the economy. Indeed, in so far as it deflects capital and labour from where they are most needed, it tends to weaken that earning power both at present and for the future. The position can be summed up by noting that of the £182 million of capital formation in 1950-52, total savings were sufficient to finance £45 million, provision for depreciation provided £36 million, and no less than £101 million depended on foreign disinvestment.

The degree to which imports are covered by exports has diminished in recent years, both because the forms of agricultural export have contracted and because the capital investment programme requires extra imports. Perhaps the most favourable trading year that the state has known was 1928; it is significant that it is necessary to go back so far. Exports were then valued at 77 per cent of imports. By 1938 the proportion had fallen to 58 per cent. Even that figure, however, seems admirable in comparison with the postwar years; the proportion fell to as little as 36 per cent and did not regain 50 per cent until 1952. The improvement, which is very largely due to a gratifying increase in exports, continued in the first half of this year, when it was 58 per cent. But if this is useful and encouraging, so far it has only brought the export ratio back to the level of 1938, when the Irish economy was emerging from the effects of the depression and the "economic war" with Great Britain.

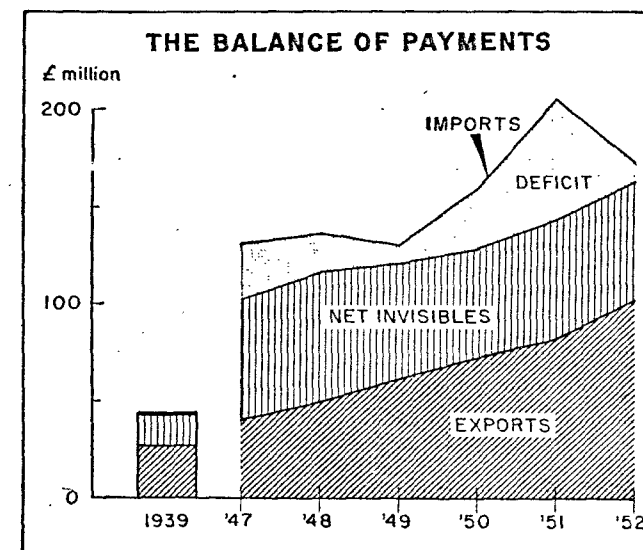
Agricultural Exports

In 1952 livestock provided 33 per cent of the total value of exports. A further 28 per cent came from foodstuffs of animal origin—such as eggs, tinned beef, chilled or frozen meat. Other foodstuffs, such as confectionery, drink and tobacco, formed a further 23 per cent, leaving manufactured goods and raw materials to provide only 16 per cent of Irish exports. Such is the overwhelming importance of agriculture to the export trade. The figures also show, however, the lines along which a measure of industrialisation can profitably proceed. To kill the animals first, and export meat rather than livestock, has long been desired by Irish economists and, of more immediate importance, by politicians. The change represents a new form of employment, makes further employment possible because the offals

and hides are retained, and (a factor that both economists and politicians may welcome) it makes new trading contacts possible. In view of the predominance of the British market for Irish exports, any commodity that may also be sold elsewhere has a natural attraction. The extent to which Irish meat could be sold abroad can, however, be exaggerated. Irish exporters have grown accustomed to easy sales in the last ten years and have yet to reconcile themselves to competitive markets. Their continued success will largely depend on whether the level of costs in Ireland can be reduced. It is only necessary to recall that in 1929 it was not thought anything out of the way that the country should export £2 million worth of pigs, £3 million worth of bacon and £4 million worth of butter—forms of trade that have now almost disappeared.

Changes in British agricultural policy will be closely watched in Ireland. In 1952, 86 per cent of all exports was consigned to the United Kingdom. The trade with North America brought in the equivalent of £3.5 million, and almost all the rest of Ireland's export trade was with the non-sterling members of the European Payments Union.

The volume of imports in 1952 was 134 (on the base of 1938 equals 100), and the volume of exports 135. The growth of Irish manufacturing has not reduced imports. On the contrary, they have grown, though they have changed considerably from the finished goods of thirty or twenty years ago to the raw materials or semi-processed goods or today. Imports are needed in growing volume to



keep domestic industry going and to provide the goods, manufactured at home or abroad, that the consumer has come to expect. And, to make possible the financing of these imports, the only exporting industry in sight is agriculture.

The balance of payments has of late been a live issue in Irish politics, though its importance has at least temporarily been diminished by the fall in imports and rise in exports since 1951. Its violent fluctuations in recent years are shown in the accompanying chart. The deficits must be set against a still impressive total of foreign, mainly

sterling, assets. The external assets of the banking system were estimated at £78 million at the end of 1938 and at £234 million at the end of 1946. At the end of 1951, the comparable figure was £213 million. No figure is available for the total of privately owned external assets though a recent calculation put it at about £163 million in 1949. It seems almost certain that the heavy balance-of-payments deficits since the war have been financed mainly by disinvestment in this sector. But, besides ERP, there has also been a degree of foreign investment in Ireland which, in an economy that still happily preserves some freedoms and privacies, eludes analysis.

It should not be assumed that everyone regrets these deficits. The pros and cons of "repatriation of the external assets" are vigorously contested in Ireland. It is difficult to analyse issues that are often emotionally defined. In the first place, it should be remarked that a considerable drawing-down of these assets represented merely the realisation of forced savings imposed by wartime shortages. In the second place, the rise in prices during 1950-51 and the rush to pile up stocks meant a further considerable, if inevitable, reduction in money assets. The Irish economy is particularly exposed to the consequences of a violent change in world prices—which might explain deficits in the balance of payments and at the same time offers an argument against deliberate reduction of the remaining assets. In the third place, with state-sponsored investment running far ahead of current saving it may be said that the realisation of past savings held abroad is simply a transfer from one form of investment to another. It need not be criticised if the new investment increased the country's power to

export. But the external assets do provide an invaluable cushion against times of bad trade, and a great part of postwar investment has in fact gone into projects which are socially desirable, such as housing, but do not represent earning assets. The true criticism should not be directed against a realisation of the assets *per se*, but against the exchange of earning for non-earning assets. As it is, Ireland's external disinvestment must be regarded as the expression of a continuing inflation against which no effective measures have yet been taken.

Many of the policies adopted in Ireland have had results clean contrary to their aims. Encouragement of industrial production has led to a greater dependence on the earning power of agriculture; encouragement of tillage has helped to increase the importance of the cattle trade. Too great attention to secondary industry and services at the expense of primary production is, indeed, an error that many countries have committed in the last twenty or twenty-five years. In Ireland, no irreparable damage has yet been done. The problems that face the country are largely of its own creation and within its power to solve. The creation of uneconomic industries, the realisation of past savings, the prolonged encouragement of inflationary tendencies—all these have come from pursuing too energetically policies whose ultimate results have not been sufficiently examined. Nevertheless, being still a strong creditor country, Ireland retains room for manoeuvre. It could frame and implement agricultural policies that would transform its national income and generate an expanding economy, in which greater opportunities for employing its population at home could be provided.

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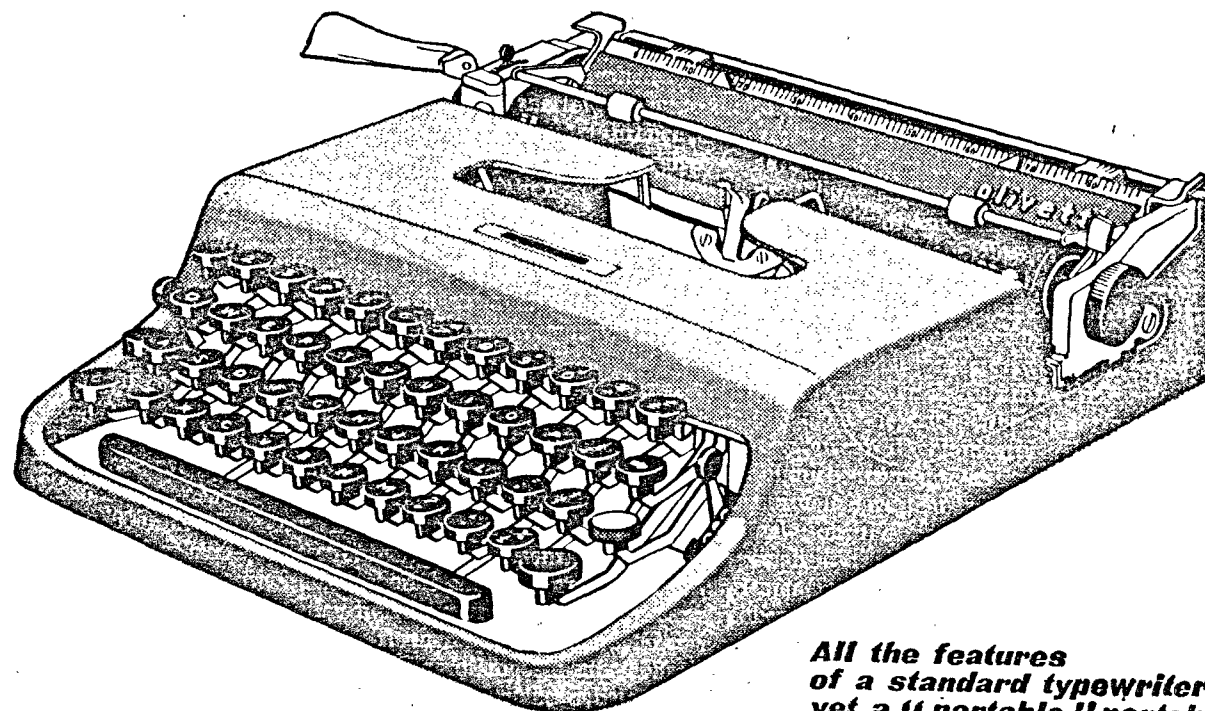
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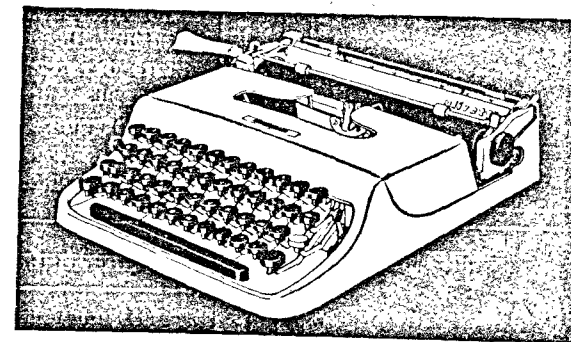
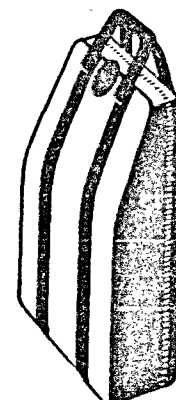
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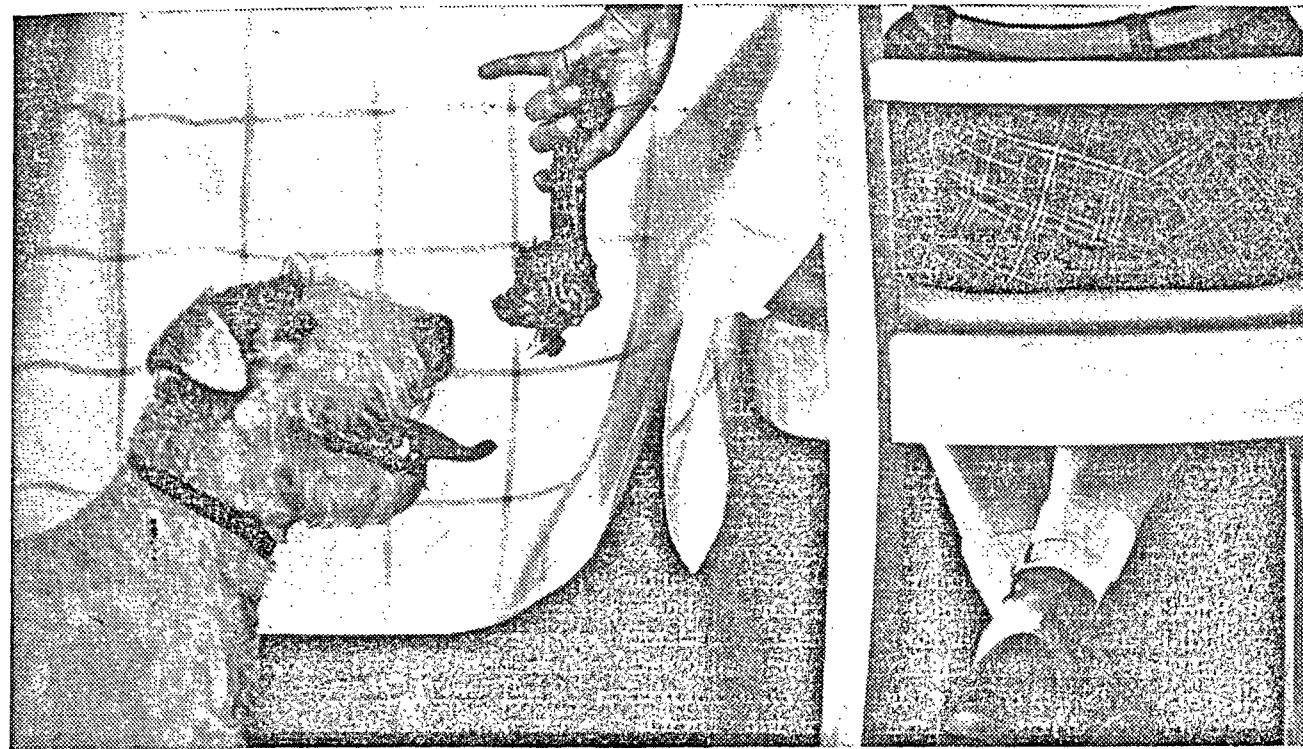


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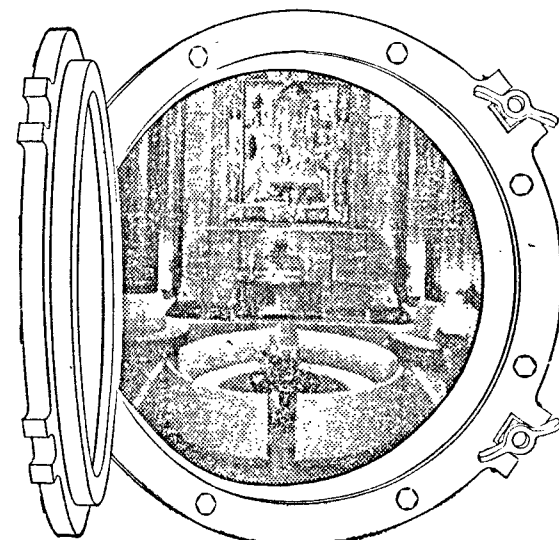
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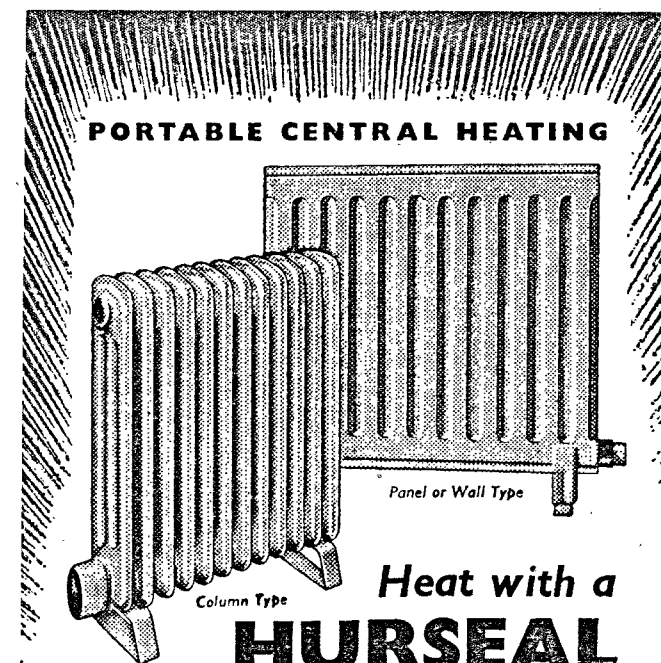
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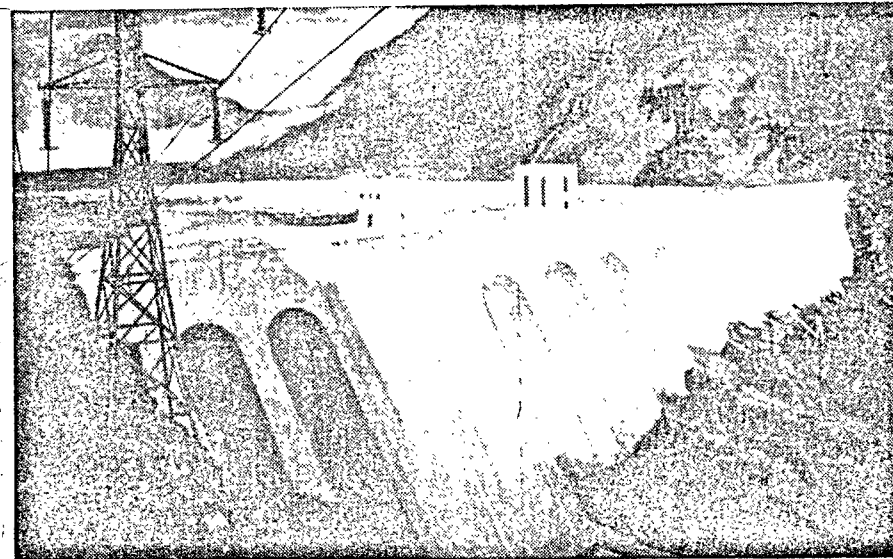
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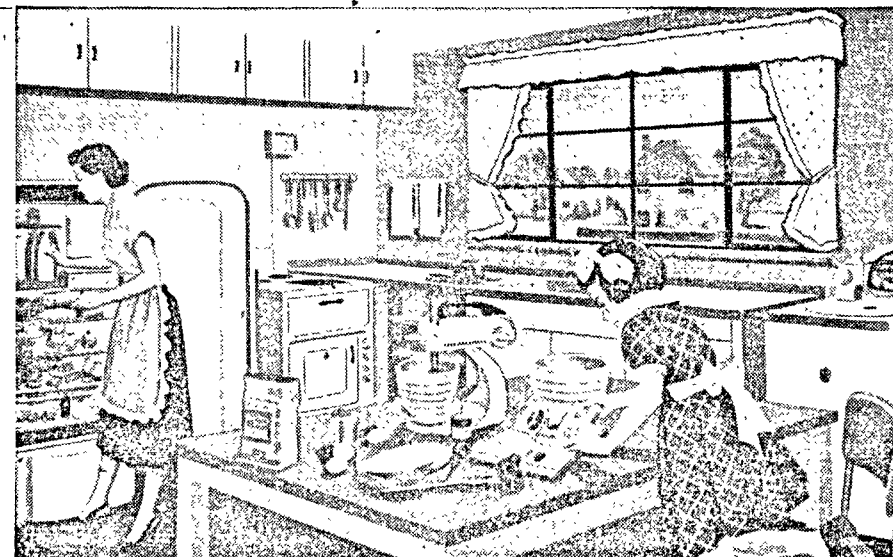
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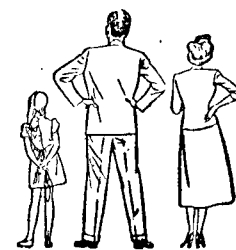
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Adriatic Solomon

THE task before Solomon was child's play compared with that confronting the Allies in Trieste. When he threatened to cut the infant in half, only one of the ladies shrieked and he knew which way to decide. In the Free Territory of Trieste, both sides have been shouting so loud and long that the Allies have very little to go on. Indeed, one of the main features of the serious crisis which has blown up since last week is that it no longer bears any very direct relation to the merits of the case. The danger now springs not from the irreconcilability of conflicting Italian and Yugoslav claims, which have long been known, but from the fact that of the parties in the dispute, three at least—the Yugoslavs, the British and the Americans, and very possibly (in their private hearts) the Italians also—have suddenly found themselves in new and mutually untenable positions from which none can climb down very easily, however much they may wish to.

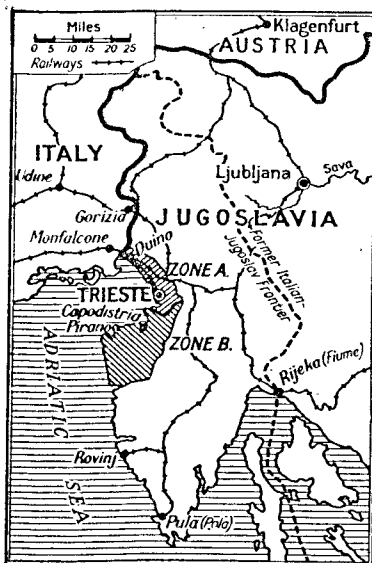
If London and Washington could have foreseen last week what has in fact happened during the past few days, they ought never to have made the declaration they did. The question is: Could they? What is surprising about Marshal Tito's threat to move into Trieste, if the Allies carry out their declaration that they will withdraw, is that he had not apparently given any real inkling of it beforehand. No one supposed he could accept the handing over of Zone A to Italian control with anything but great hostility. But this, after all, is no more than the culmination of a logical process which has been going on for some time. When the Allies announced in May of last year that they would appoint an Italian political adviser to their zone commander, and would make Italian administrators responsible for certain departments in Zone A, full Italian control was ultimately implicit in what they said. Marshal Tito replied by disputing the assumption that Zone A is mainly Italian and by reserving "the right to protect the interests of Yugoslavia." But the partial handover to the Italians was carried out by September of last year, and Marshal Tito remained careful throughout to leave loopholes in anything he might say.

Now he has not. Nor have the two western allies. If they misjudged the Marshal's fervour, the error has been made. What can no longer be wished aside is the strong probability that, if the British and Americans do move out of Zone A, Yugoslav troops will in fact move in. After all the brave talk in Italy, no Italian government could refuse to fight. The only apparent way of averting this clash would be for the Americans and British to withdraw their statement of last week and keep their troops in Trieste. But this, too, would not only be unwelcome but would have unpleasant consequences. The only possible step at the moment is therefore to accept Marshal Tito's suggestion of a conference between America, Britain, Italy and Yugoslavia. If the conference is to be held, nobody will have to be asked to retreat beforehand from any position taken up. In particular, the two western governments should not withdraw their statement, but merely

postpone its application. Their only hope of achieving an agreed solution is to preserve their own freedom of action, and the British Government at least should emphasise its own interest in the matter, which is to get out of an expensive piece of public service for which it has been rewarded only with abuse.

The conference may not succeed. But to jump to the conclusion that it will fail would be wrong. Nor can anything be gained by speculating on the precise outcome at this stage—whether the meeting will cut the Gordian knot, unravel it after all, or leave it as tight as ever. One thing, however, must be done now to ensure a reasonable chance of success. Both London and Washington should insist in Rome that Italy must attend. It is no use pretending either that the British and American position remains unaffected by Marshal Tito's reaction or that it will not depend to some extent on Italy's own future attitude. The western powers can hardly afford to make an enemy of either party.

There is a fairly general view both in this country and in America that the city of Trieste should be Italian. But it needs to be said quite bluntly to the extreme nationalists in Italy that nobody in America or Britain holds this view strongly enough to risk upsetting the precarious balance of world peace for it, and that in any case it does not now extend to supporting Italy's claim to the whole Free Territory. Indeed, it was a cardinal error of last week's Anglo-American declaration not to state categorically that no further support would be given to Italy's claim on Zone B. If the time has come to fulfil in respect of Zone A part of the three-power declaration of 1948, promising the whole of the Free Territory to Italy, then it is also time to cancel what was never a particularly honest undertaking in regard to Zone B.



It is a fortunate chance that Mr Eden, Mr Dulles and M. Bidault had arranged to meet this week. Trieste has, at least temporarily, taken the place of Germany or a "top level" meeting with the Russians at the head of the diplomats' European priority list. This priority does not spring from any question of the legality of the Anglo-American declaration—which does in fact infringe the Italian peace treaty—or from the infinite

complexity of the ethnic problems of Trieste itself. It rests on the naked fact of power politics. For, as the three ministers sit down to discuss the very real threat to peace in Trieste, they are bound to assess above all what they can and what they cannot afford to do in the state of Europe as it is today.

It was the Russians who first used the Trieste problem for their own ruthless purpose of causing disunity and friction, when they refused to agree on an international governor of Trieste; this, as they well knew, prevented the establishment of the permanent type of regime envisaged in the Italian peace treaty. The cynicism, therefore, of the Russians' action this week, in suddenly going into reverse and nominating a governor whom they rejected six years ago, will not be lost on the world. There is no possibility of reviving the project of an international territory unless the opposition of both Italy and Yugoslavia is withdrawn—of which there is little sign. But the western ministers will have to calculate very carefully how far this shift in the Kremlin's tactics, combined with Russian support at the United Nations for Marshal Tito's protest, may end by ensnaring Yugoslavia back into the satellite net. At present Belgrade is suspicious of this sudden and not very welcome friendliness in Moscow. Marshal Tito's quarrel, however, was fundamentally a personal one with Stalin, and there has lately been a slight relaxation in his relations with the new regime in Moscow; earlier this year ambassadors were exchanged for the first time since 1948.

If the western powers can ill afford to undo the patient work of the last few years in making friends with Marshal Tito, they are scarcely in a better position to disregard the possibilities in Italy either. Yugoslavia is strategically valuable and the fact of having this one Communist ally has been of immeasurable ideological help to the West. But Italy occupies a crucial position astride the Mediterranean, and it is a member of Nato and of the Schuman coal-steel pool, an essential factor in the proposed EDC, and a large, industrialised nation. To back down on the support now shown for its claims would be to risk seeing the last chance of moderate government in Italy go down before the extremism of right or left, with grave potential consequences in terms, for example, of an Italian withdrawal from the Atlantic Pact.

There is some temptation to cry a plague on both their houses and to let Italy and Yugoslavia fight it out themselves, if necessary with bullets, and in the actual streets of Trieste. But, even apart from the moral aspect, to accept the use of force would be to start a chain of events without in the least knowing where it would end. If nothing else, an Italo-Yugoslav clash would certainly stand a good chance of pushing Marshal Tito right back into the arms of Russia or of provoking a civil war in Italy, and perhaps of both together. With pitfalls as ominous as this on either side, the safest (though possibly the most inglorious) position for America and Britain is on the fence. They had better see if they cannot find a new one to perch on.

Colonies on Parole

THE political storm over British Guiana is both sudden and serious. The dispatch of warships and troops, Orders in Council, and the solemn suspension of a constitution are appropriately grave as well as dramatic steps with which to forestall, as the Government believes, a Communist-inspired seizure of power. In a characteristically forthright statement to the Conservative party conference, Mr Lyttelton declared that Her Majesty's Government was not willing to allow a Communist state to be organised within the British Commonwealth. Most people are prepared to suspend judgment until the Government has published its White Paper and presented its case fully in Parliament next Thursday; but few can be entirely happy about the hurried sequence of events.

The general outline of the story is tolerably clear. The Guianese ministers were certainly subject to Communist influence and there is some evidence to show that they were using their position as ministers to gain control over the trade union movement and to exercise a political influence on the police and the Civil Service. The Governor became convinced that they were aiming at a proletarian dictatorship, and that incidentally they were ruining the economy; he recommended that the constitution be suspended, and his advice was followed.

There are several degrees of doubt about this policy. The first line of criticism, coming from the extreme Left, is that a Tory Government has seen its chance of reverting to type over this defenceless little colony cut off from all outside help; Sir Winston can play gunboats without fear of the consequences. The implication is that it is always wrong for the home government to overrule a colony. Such criticism can be sustained only by rejecting the colonial policy that was accepted by the Labour Government itself. The essence of the policy is to introduce responsible government while providing, in the early stages, safeguards should the newly elected politicians fall gravely short of their tasks. All the constitutions introduced since the war, in the Caribbean and in West Africa, have left certain reserve powers in the hands of the Governor and have retained in the Crown the right to revoke or suspend the constitution.

The second and more serious doubt is rather one of tactics: may not intervention, as a cure, be worse than the disease? The question is empirical and the answer in any particular case must depend on the circumstances. The power of suspension is certainly not one to be used lightly, and the Government will be accused of using a sledgehammer to crack a nut that might have been prised open unobtrusively with a little diplomacy. What, after all, will follow the suspension of the constitution? If the forthcoming commission produces a revised constitution that gives the Guianese much less independence than the present one, will not that

strengthen the hands of the extremists by giving them another rallying cry? If, on the other hand, the constitution is modified without changing essentials, what happens if the same party and the same people are returned to power again? If an ignorant electorate continues to use its constitutional rights by electing people who are determined to subvert the constitution (if that was indeed the ministers' intention), can the British Government intervene a second time?

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This is a formidable argument. It illustrates clearly how precariously founded is the whole policy of constitutional progress in the colonies. That policy rests on the assumption that a quick and generous grant of self-government is the only way to bring out responsibility in the new leaders thrown up by the political commotion in the colonies. Even if untrained for executive positions they will be educated by responsibility to become loyal and democratic members of the Commonwealth. So far, everyone admits, the policy has been successful. The most extreme parties have been returned to power by inexperienced electorates; yet tact and good faith on the part of the Governor and his civil servants have paid dividends. Relations with Britain have remained remarkably good. Indeed, given a desire on both sides to work the constitution, postwar policy will probably justify itself.

But if goodwill does not exist, if there is a determined effort to break with all that British rule has stood for, then the Governor and British Government find themselves faced with a dilemma: they must either take drastic action or no action at all. It is true that in theory the Governor's reserve powers—of vetoing or forcing through legislation—exist for the purpose of preserving good government if local politicians prove intractable. If colonial experience has shown anything, it is that the reserve powers of a Governor cannot be brought down to the level of the market place. As a weapon behind closed doors they serve as a useful deterrent; but they cannot be brought into the open without giving agitators an opportunity to use them as a whipping-boy for working up hate against the colonial power. In other words, given goodwill, the reserve powers are a salutary check on minor forms of irresponsibility; they cannot be used against a determined effort to remove British power altogether.

The Governor of British Guiana appears to have become convinced that he was confronted with just that situation. Short of complete abdication, anything less drastic than he could have done would have had all the disadvantages, without the possible merits, of a dramatic suspension of the constitution. This is a peculiarly difficult judgment to make. It is open to

others to argue that in time the People's Progressive Party would have turned opinion against itself and an effective local opposition to it would have grown up. But it is equally possible, and perhaps more likely, that if the party had been given more rope, it would have hanged others rather than itself.

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On these lines the Government may well make out a convincing case in Parliament. One important reservation should, however, be emphasised at once. The suspension of the Guianese constitution does not mean that similarly drastic action would be possible or effective elsewhere. It is one thing to suspend a constitution in the year it is introduced, as in Guiana. It would be quite another to suspend a constitution that the local politicians and their supporters have operated for some time. To say that there are dangerous possibilities, in this one case of suspension, is to say that it would be all but unthinkable in a less immature colony.

That, however, may not be so clearly seen by politicians in West Africa and elsewhere who are still not entirely without suspicion of British intentions. This is one reason why British Guiana cannot be isolated from the wider colonial setting. There is also a purely domestic reason: the people who have always feared that constitutional advance in the colonies was being pushed too fast have had their fears strengthened. Will the extremism of British Guiana be repeated elsewhere, on a larger scale, and with less hope of effective counter-action?

There is certainly a case to be made out against present policy. It is not necessarily progress, the

Policy Plain or Purl?

THE three men who, at various times during the past year, have exercised the functions of Britain's Foreign Secretary last week in turn reviewed the world situation and the tasks that lie before this country. The Prime Minister, as he reminded his audience at Margate, had not spoken in public since his celebrated speech in May, and Mr Eden had been involuntarily silent for an even longer period. Their words—especially those of Sir Winston Churchill—were therefore awaited with almost painful expectancy, and not only by the party stalwarts to whom they were addressed. The world was as anxious as any of the early devotees who read Dickens in weekly parts to know what would emerge in the second instalment of the serial that the Prime Minister began on May 11th, and which was then so abruptly broken off. The anxiety might have been expressed, as that of Dickens's readers was, in a simple question: was Little Nell dead?

Sir Winston assured his hearers that she was not. He was careful—rather more careful than he had been

critics say, to make a paradise for the barrack-room lawyers but to leave everyone else in disorganisation and poverty. Other colonial powers, with less overt idealism, may have done more for the happiness of ordinary people. Perhaps we should at least have waited until a cadre of administrators had been trained and the elements of a balanced economy introduced.

But it is surely too late to indulge in these doubts. For generations Britain has been promising self-government to the colonies. And it has been taken at its word. The history of the last few years has shown that once a class of indigenous politicians is created—as it is bound to be created once a start is made in associating the people with the government—the progress towards independence goes on at breakneck speed. The engines cannot now be reversed. We have to take the risk because, in a real sense, we have already taken it.

Colonial leaders are sensitive to any reflection on their political maturity and would react strongly to suggestions that there are strings attached to their freedom of action—that they are, as it were, on parole. There are, fortunately, strong practical and sentimental reasons why the new states that are emerging in the Commonwealth should choose to remain within it and friendly to the West. But they will not be cajoled or frightened into doing so, and in the long run there is no compelling them. The Government will justify its handling of the crisis in British Guiana on one main condition. It must be perfectly clear that the powers of constitutional suspension, rightly used in this case, are regarded here as a measure of last resort that will be used not against a developing democracy but only against a rising dictatorship.

in May—to emphasise the “humble, modest” character of his project for a meeting of heads of governments, and he was quite remarkably brief in his reference to “the master-thought of Locarno”; the fact that discussion of possible means of reassuring Russia is now at last widespread did not, apparently, encourage him to develop this theme, except in regard to the necessity of American participation. But he gave no indication that his brain-child was any less alive than she had been in May—although a close observer might have deduced that she had grown up a little.

This confirmation, seen against the background of three comprehensive reviews of world affairs by the leaders of Her Majesty's Government, makes it imperative now to examine somewhat closely the general nature of that government's foreign policy. One question in particular must be answered. Is Britain's present foreign policy definably divergent from that of its chief allies?

Sir Winston Churchill, in his speech last Saturday,

spoke much of independence. He did so primarily in the context of a plea for economic self-respect. But he must have been fully aware that in many parts of the world an impression had grown up that, since May 11th, Britain has been striking out on its own in matters that concern the balance of power as well as the balance of payments. This impression is not confined to those circles in Europe for whom wishful thinking is a necessary foundation for neutralism. Last week it was expressed, in a surprisingly extreme form, by Mr Walter Lippmann, who declared his belief that, in May the grand alliance was disintegrating, because it offered no positive prospect of peace. Churchill has rallied the alliance to the hope and effort of an active diplomacy meant to prevent a great war.

The successive statements by leaders of the Labour party to the effect that the Prime Minister's “great peace initiative” of May 11th has been halted only by American intransigence, abetted by Tory saboteurs, reveal the same basic assumption under a different but equally exaggerated guise.

How much reason, if any, is there for this assumption? Let it be granted at once that Sir Winston's speech in May made a deep impression on a great many people. Indeed, one is entitled to conclude from what Sir Winston and Mr Eden said last week that it had much more effect than it either sought or deserved. The impression widely retained was that the Prime Minister, deeming the policies formerly pursued by the Atlantic allies to be inadequate, rigid and unfruitful, deeming also, perhaps, that the United States was no longer giving the allies the leadership they needed, had abandoned them and launched out boldly on a new approach to the most important of international problems.

How can this impression be reconciled with the content of the speech that the Prime Minister himself delivered last Saturday? He repeated, trenchantly, the essential outlines of the policies which Britain and its allies have shaped during the past five years. The cause of freedom must be sustained by strength; German military aid is essential to the defence of Western Europe; the European Defence Community is the best means of building up that defence; Britain and America will keep their forces in Europe to hold the balance of equality that France demands. Sir Winston covered all this ground, and took particular pleasure in assailing former Labour ministers who had committed Britain to German participation in EDC and who now argued against it. If it was somewhat noticeable that the need for loyalty to the North Atlantic alliance was a prominent theme in Mr Eden's speech but not an explicit one in the Prime Minister's, it would be going altogether too far to base a serious conjecture on this discrepancy. None of Sir Winston's words suggested that he even contemplated jettisoning any of those policies common to the Atlantic allies that would inevitably be Malenkov's first targets at a meeting of heads of governments.

The truth is that there is no separatist British policy

as regards the largest affairs of the Atlantic alliance. There is none, there should be none, and indeed there can be none. If there were such a policy, the alliance would be at an end. Within the alliance, however, there is scope for divergence on tactics and methods of interpreting the common policy to other nations. There is scope, in fact, for embroidery, or for purl as well as plain stitches. But these exercises in adornment have to be kept within bounds, lest they completely obscure the plain surface beneath them, which holds all together. Last week's speeches suggest that all three speakers were to some extent concerned to trim the design of May 11th down to more seemly proportions. Unfortunately, however, this operation is likely to reveal only too clearly the extent of the damage already done to the fabric underneath.

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The passage in the Prime Minister's speech that has produced immediate and sharp reactions in Europe, and was clearly intended to do so, was his warning that

if EDC should not be adopted by the French, we shall have no choice in prudence but to fall in with some new arrangement which will join the strength of Germany to the western allies through some rearrangement of the forces of Nato.

By an unhappy mischance, a translator's error in the report of the speech that reached most French newspapers made Sir Winston appear to say that Britain would have no alternative “in the face of such imprudence.” Some of the most resentful French comments therefore derive their tartness partly from this substitution of *m* for *n*. (Mercifully, the agencies did not lose the *r*.) On the other hand, it may be doubted whether even the most honeyed wheedling on this matter would fall pleasantly on French ears in present circumstances. Admittedly, the idea of aligning Germany with Nato as an alternative to EDC has often been publicly vented, and by distinguished Frenchmen as well as others; there is, indeed, a considerable segment of French opinion, not confined to any one party, which has long thought it preferable to the loss of French sovereignty that EDC involves. Sir Winston Churchill, in contrast, made it unmistakably clear that a Nato solution would be a very poor second best. But he was lending an unrivalled authority to a hypothesis which has been steadfastly shunned by governmental spokesmen throughout the long period of uncertainty since the signing of the still unimplemented EDC treaty, and his words created almost as much unease in Bonn as in Paris.

Two questions arise. First, has the Prime Minister given enough detailed consideration to the problem of a “rearrangement of the forces of Nato” which he postulates? It is a known fact that France, or any other of the Atlantic allies, could veto the admission of Germany as an equal partner in Nato. It is hardly conceivable that Dr Adenauer would agree to associate Germany with Nato on any terms other than full

equality. Sir Winston Churchill has given no indication of the existence of a formula that would resolve this difficulty. It must be concluded that he has again, as in the case of his allusions to Locarno, attached a specific label to a general thought without looking closely enough at the intricacies involved.

Secondly, was he wise to put his unique weight so abruptly into the scales at a moment when almost all Frenchmen, whether inclined in favour of EDC or against it, are painfully conscious that a decision is now a matter of urgency? His action contrasts somewhat strikingly with the phrases he used, earlier in the same speech, about the need for a period of calm free from

any vigorous pursuit of clear-cut solutions. But he was, after all, doing no more than state the truth. France's allies cannot wait indefinitely for Paris to make up its mind about EDC. Indeed, one of the Prime Minister's severest critics in the French press this week concluded his judgment on the Margate speech by saying that it should be taken not as blackmail but as a forecast. It is undoubtedly essential that when the National Assembly in Paris at last nerves itself to bite the EDC apple, it should do so, unlike Eve, in full knowledge of both the consequences and the alternatives. Sir Winston Churchill, for one, cannot thereafter be accused of having played the soft-tongued serpent.

The Courts of St James's

THE publication this week of the report of the inquiry into the dispute about electricians' wages emphasises the part now played by the Ministry of Labour in preserving industrial peace. While its importance has been greatly increased during the twentieth century, this does not mean that the state is becoming more inclined to interfere with industry's own arrangements for settling wages and working conditions. The principles of modern legislation and practice are that industry must manage its own affairs, and that the role of the state is simply to supplement the machinery of negotiation and arbitration that industry has set up. The present powers of the Minister of Labour are essentially the same as were given to the Board of Trade under the Conciliation Act of 1896. They permit three kinds of action: conciliation, arbitration, and inquiry or investigation.

It is in helping industry to find its own solutions that the work of the Ministry has had most effect. Conciliation officers take no action until all other chances of a settlement are exhausted. During this century there has been a steady growth of joint negotiating machinery. It has been a piecemeal development, and the arrangements in different industries vary widely. But the agreement between a union and an employers' association commonly specifies the procedure that should be followed in case of a dispute. The coal industry and the railways have their own standing arbitration tribunals, and in many industries there is an agreement to go to arbitration if negotiations break down. There are, however, some notable exceptions. In the engineering and shipbuilding industries the agreement makes no provision for arbitration at any stage; the court of inquiry now urges the electrical contracting industry to remedy the same deficiency.

In those industries that have their own machinery of arbitration the assistance of the Ministry of Labour is little required, except sometimes in nominating independent chairmen. In the rest of industry its part begins when the ordinary negotiating machinery has

failed to find a solution. Some 40 conciliation officers are continually dealing with minor local disputes. If the dispute is nation-wide the two sides are invited to come to the Ministry, where they have separate meetings with conciliation officers. Last month, for example, these officers were shuttling from Mr Stevens of the Electrical Trades Union in one room to Mr Penwill, representing the employers, in another. When that process had completely failed to discover the basis for a settlement the next step was either arbitration in some form, or else an inquiry or investigation.

Arbitration is called voluntary when both parties consent to it; such cases are more often than not referred by the Minister to the Industrial Court. This court was set up, following the recommendations of the Whitley Committee, as long ago as 1919. It is now used mainly by the nationalised industries, public utilities, other Government undertakings and some smaller industries. This is not, however, the only form of voluntary arbitration. If the parties prefer it, the Minister of Labour can appoint a special board of arbitration (such as the one that has this week awarded the dockers an extra 1s. 6d. a day on their time rates); or, again if they prefer it, he can appoint a single arbitrator. The reason for this preference is usually a desire to have a say in the choice of arbitrators.

If one side refuses to accept arbitration the dispute cannot be referred to the Industrial Court. But it can still come under "compulsory arbitration," which may be brought into action at the request of only one of the disputants—the compulsion thus being not by the state on the parties, but by one of the parties on the other. Compulsory arbitration was introduced at the beginning of the last war. It was first provided by the National Arbitration Tribunal, set up under the famous Order 1305 that made strikes illegal. When that Order was repealed in 1951 the tribunal for compulsory arbitration (at the wish of one party) was continued, with slight modifications, under the new name of the Industrial Disputes Tribunal.

This tribunal still has no foundation in permanent industrial legislation, but it is beginning to look as if it is here to stay. Any move to get rid of it is likely to come from the employers. The trade unions have no objection now that their right to strike has been restored. Indeed, nine-tenths of the disputes that come before the tribunal are reported by the unions. It enables them to drag unwilling employers to arbitration and to sue them if they disregard the tribunal's awards. But while an award can fairly easily be enforced against individual employers, it is not practicable to enforce it against the workers if they unite in ignoring it. The system works only if the unions are amenable. For this reason the Minister can refuse arbitration even though one party wants it, if a strike or lockout is in progress. If tempers were high the tribunal's theoretically enforceable decisions would not in fact be observed, and its prestige could only be lowered. In the electricians' dispute a strike was in full swing and the employers did not even call for arbitration.

In that particular case the Minister adopted his third form of procedure, provided as a last resort to enable him to act without the consent of either party: a court of inquiry. The purpose of this is to set out the facts of a dispute, and to apportion praise and blame, so that the side that remains obstinate may be weakened by loss of public sympathy. This method often leads to a settlement, mainly, perhaps, because it allows time for tempers to cool. The report of the court of inquiry into the electricians' dispute did not make any suggestions for a settlement. It handed the problem firmly back to the industry's own negotiating machinery, which it says was not fully used, with the recommendation that it go to voluntary arbitration if necessary. Most courts of inquiry, however, do make proposals for a settlement.

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The primary aim of state intervention in industrial disputes is to avoid the economic damage and public inconvenience of a strike, and only proposals that have a chance of acceptance are worth putting forward at all. Courts of inquiry and arbitration tribunals are equally bound to be guided by the practical politics of the industrial situation they are dealing with. The arbitrators or investigators will compare the disputed wages with the trend of the cost of living and will usually seek to maintain the workers' real standards; they will try to bring those wages into line with the pay in comparable occupations; they will judge what the industry can afford; they will consider whether it is in the national interest generally that wages should rise. But they must also consider the facts of power. Arbitrators will rarely propose anything that goes flatly against the side that is in a strong position.

In theory, a settlement that simply reflected the bargaining strength of the two sides would give the same result that would have been obtained by resorting to an

actual trial of strength by strike or lockout. Before the war the success of the arbitrators probably depended on their ability to anticipate the outcome of such conflicts. The impression that the workers did no worse by going to arbitration than by going on strike, and this at no cost to themselves, steadily built up the union's confidence in this method.

Since the war settlements by arbitration or conciliation clearly have not reflected the relative strength of the parties. With full employment the workers could have forced, temporarily at least, larger wage advances than they have received. Aware that in the long run they could only suffer by prolonged inflation, they accepted wage restraint—by which they meant, broadly speaking, that they would be content to keep money wages roughly in line with increasing prices, not to try to push them ahead. In this situation the wage increases secured by arbitration have not been, on the whole, less than those obtained by ordinary collective bargaining. If any such discrepancy had occurred the unions would soon have refused to go to arbitration. But there is little doubt that the arbitrators have generally had a livelier awareness of the national interest in wage restraint than could have been shown by the leaders of individual unions. The habit of accepting arbitration awards thus had an important influence throughout industry, helping to induce workers to accept smaller wage increases than they claimed and than their bargaining power could have extracted from the employers.

In time, the cost might have been to weaken the habit of arbitration. But in fact arbitration is playing, so far, a steadily increasing part in the settlement of disputes. The Industrial Court hears about 60 cases a year, about twice as many as before the war. To this total must be added some 200 cases a year (many of them petty matters) that come before the Industrial Disputes Tribunal; and some 40 a year are resolved by single arbitrators or boards. On the face of it, the greater willingness to go to arbitration is excellent; it is certainly partly responsible for the steady decline over the past thirty years in the number of working days lost through strikes. The danger is that it is succeeding so well in curing one evil at the cost of creating another. More and more, wages are being settled by arbitrators on principles that are neither clear nor fixed but yet are not easily modifiable. They include some reference to the interests of the nation as a whole but the reference is by no means sure and it certainly does not rest on any coherent concept of general economic policy. The tendency must be for arbitration to slow down economic change by keeping wages in a contracting industry relatively higher than uninhibited bargaining—and strikes—would achieve, and wages in an expanding industry relatively lower. But dangerous as such rigidity is for the British economy, any attempt to overcome it must start from a recognition that the unions' acceptance of arbitration has done nothing to shake their opposition to a deliberate national policy for "planning" wages.

Notes of the Week

Government Renewed

SIR WINSTON CHURCHILL'S speech at Margate last Saturday has considerably clarified the political situation facing Parliament when it reassembles on Tuesday. In renouncing an election for next year (as well as this) Sir Winston added the qualification "to my immediate knowledge." This gives him considerable freedom of manoeuvre and avoids any commitment for his successor, should Sir Winston decide to retire in the meantime. But the point is likely to prove academic. By repeating the broad hint already given by Mr Macmillan, Sir Winston left little doubt that the Government is at last ready to tackle the chaos of rents. If that is the case, no words from Sir Winston are needed to make an early election unlikely. It is hard to see any Prime Minister risking an election until the odium of the decision to allow rents to rise has been tempered by practical evidence of its benefit to the community as a whole.

But if the prospect of an election has been moved some way off, that of a change at 10, Downing Street has been moved only a little. At Margate Sir Winston furnished ample evidence that his intellectual powers are undimmed, but at the end he seemed to imply thoughts of a not too distant retirement. Severe strains lie ahead, and now that Sir Winston has publicly said that he is remaining in office only in the hope of achieving some success in international affairs, it is all the more surprising that Mr Eden is not to act as full-time deputy Prime Minister, able to relieve his chief of much parliamentary work. Confidence about Mr Eden's own state of health is therefore restrained.

It seems certain that the new session will give the Government a harder, not an easier, time. For the past year Labour has been in no state to offer sustained and coherent opposition, but the truce reached this year carries with it a unity none the less genuine because it may well be temporary. The electoral interests of the two parties have thus shifted. If they do launch next month on an active programme, the Conservatives will need time; Labour knows that each month without an election will increase the strain on its hard-won unity. Its parliamentary strategy may therefore turn to the main aim of driving the Government to the polls.

Parliamentary Business

FOR the first two weeks after its re-assembly, Parliament will be disposing of the remnants of the 1952-53 session. Two small Bills remain to be dealt with in the

House of Commons, but general debates will occupy most of its time. It is now becoming a tradition to leave the annual debates on the nationalised industries for these autumn epilogues, and two will take place in the coming fortnight. British Guiana will occupy next Thursday, a debate has been promised on Wales, and probably one will be sought on foreign affairs. The Opposition has yet to work off its indignation over the terms, and above all the timing, of the sixteen-nation declaration on Korea which appeared within a few days of the summer adjournment. On Guiana the Labour leaders are at present confining themselves to demands for fuller information, some at least being inclined to caution by the possibility of Moscow inspiration behind the colony's troubles.

When the 1952-53 session finally ends, one measure will remain suspended in mid-air, without even a second reading—the Judges' Remuneration Bill. It is due to appear in amended form next session and will further enliven a legislative programme that now promises to be fairly substantial. The new session will be opened by the Queen on November 3, and several measures likely to be mentioned in the speech from the throne can already be foreseen. At various times during the summer the Government committed itself to a Regency Bill, to a measure dealing with the finances of Town and Country Planning, and to some sort of road traffic Bill. Then at the Conservative conference ministers strongly hinted at a rents Bill and, by promising a measure of competitive television, almost certainly foreshadowed legislation in this contentious field also.

Legislation may still, however, provide the lesser part of the Government's political difficulties. It seems to be thoroughly alarmed about the farmers; the winter coal problem is no less urgent and substantial sections of the Opposition are preparing to launch a formidable case on capital punishment in general and the Evans affair in particular. Careful attention will also have to be given to the resale of the assets of the nationalised steel and road transport industries, operations that will certainly be closely scrutinised from Transport House.

The Snail Sets Out in Korea

CHINA'S acceptance of the American offer that representatives should meet to discuss arrangements for a Korean peace conference gives every impression of being carefully and cleverly staged. The representatives are now to meet on October 26th, just two days before the expiry of the three-month period in which it was established under the armistice that a political conference should assemble. And the place is to be not Honolulu or San Francisco or

Geneva—or even Timbuctu—but the well-trampled soil of Panmunjom. Having delayed and then rejected the United Nations invitation to an actual conference, the Communists have ensured that the snail's pace is just not too slow to miss getting in sight of the first milestone in time.

This is not a Korean peace conference. But it is a move towards one, and it is in Korea. Will it be enough to take the wind out of the sails of Mr Syngman Rhee, who threatens to resume the war if nothing is done by October 28th? The chances are that it will; if so, even the free world may for once heave a sigh of relief at the tortuous inscrutability of Communist tactics. The period immediately after October 28th is still likely to be one of renewed tension and danger. Once this critical moment is past, however, Mr Rhee's chances of successfully re-igniting the peninsula look like growing less. The cease-fire, designed to be only a temporary stage, may then endure indefinitely, like those in Kashmir and Palestine. Under cover of the armistice, the Panmunjom discussions about the time, place and composition of a real conference seem capable of infinite variety.

Meanwhile, there are the prisoners. On Thursday, the "explanations" were due to begin to the first thousand of the 22,000 Chinese and North Korean prisoners who do not want to return home; no date has yet been set for "explanations" to the 359 pro-Communist United Nations prisoners. Whatever justification there may have been for the mutual criticisms which recently flew back and forth between Seoul, Delhi and Washington about India's handling of the prisoner of war compounds, the actual arrangements for staging these "explanations," under the supervision of the five-nation neutral commission, appear to be sensible and fair. And if, by the turn of the year, the fate of the prisoners has in fact been decided without serious bloodshed, the world will owe India a heavy debt of gratitude.

France Between Four and Five

BEFORE leaving for this weekend's three-power talks in London, the French Foreign Secretary, M. Bidault, had apparently won the day in the French cabinet. M. Paul Reynaud, who as vice-premier particularly concerned with Indo-China has a great say in the shaping of French foreign policy, had looked favourably upon the idea of a five-power conference mooted in the recent Soviet Note. M. Bidault, however, argued that a four-power meeting should come first, and his view prevailed because of the known American hostility to the inclusion of China. His final argument really was that even if all the five were invited "it would still be a four-power conference, but without the United States." To this there can be no valid answer, but a temporary defeat does not mean that M. Reynaud will now leave M. Bidault in undisputed control of French policy.

Indeed, whatever its tactical drawbacks, M. Reynaud has quite a strong case. He has repeated several times that a conference primarily concerned with Germany could lead nowhere, since the Russians would be unwilling to budge an inch without western concessions, and the West has no intention of making any over Germany. By inviting China and extending the scope of the conference, M. Reynaud hopes to tag Indo-China on to the agenda. This, in fact,

is the crux of the matter. French politicians are fast becoming conscious of the fact that the problem of German rearmament cannot be sidestepped through legal niceties. The conviction is gaining ground in many quarters that France cannot stand up to its dynamic neighbour without an almost revolutionary change in the economic life of the country, and that this is impossible as long as scarce resources are being thrown down the Indo-Chinese drain.

The second part of this argument is more debatable. As an article on page 183 shows, the United States is now shouldering a larger share of the Indo-China burden. M. Faure, the finance minister, did not conceal the fact that he would like this share to grow still larger and France to get rid of its commitments in the Far East. Above all, it needs two to make a bargain, and there are still no signs that Ho Chi-minh is warming to the idea of immediate negotiations. It is this that makes so many Frenchmen pin their hopes on a solution within a broader framework. The hopes may be illusory, but in many cases they are coupled with the firm intention of restoring France to its proper place in Europe. M. Reynaud, for one, cannot be accused of seeking the easy road out, since he has repeatedly uttered stern expositions of French national weakness.

The Farm Lobby

IF the Government is not frightened by the National Farmers' Union it will not be for lack of trying—either by the NFU itself or by its political friends in the Conservative Party. When the agricultural interest is involved a considerable section of the party loses its usual inhibitions. Politicians who in other matters are most concerned to preserve party unity in the eyes of the world, whatever their private differences with the leadership, are quite willing to show a palely Bevanite bitterness in defence, as they believe, of the rural vote. The upshot of the debate on agriculture at the party conference last week is that whatever the Government now does it will be in political difficulties. If it introduces any real freedom into agricultural marketing many of its supporters can at best swallow their words and silently toe the line, with much Opposition merry-making. On the other hand, if the Government shirks a radical change in agricultural policy the Opposition can make even more play, in urban constituencies, with the Government's surrender of consumers' interests (which its own statements have identified with free markets) to those of the farmers.

Either choice is unpleasant and whatever emerges from all the present feverish discussions it is at least certain that the National Farmers' Union will not have earned the love of any responsible Conservative. It is not clear that this week's meeting, when a delegation of ministers headed by Mr Butler talked to the farmers' leaders, was much more than an attempt to pour oil and soothe feelings. Sir Thomas Dugdale's speech at Margate had clarified nothing. He defined the policy of freedom as cautiously as he could—"to put producers more closely in touch with consumers through the influence of the markets"—and did not explain how it could be reconciled with his assurance that the Government was not in principle opposed to marketing boards.

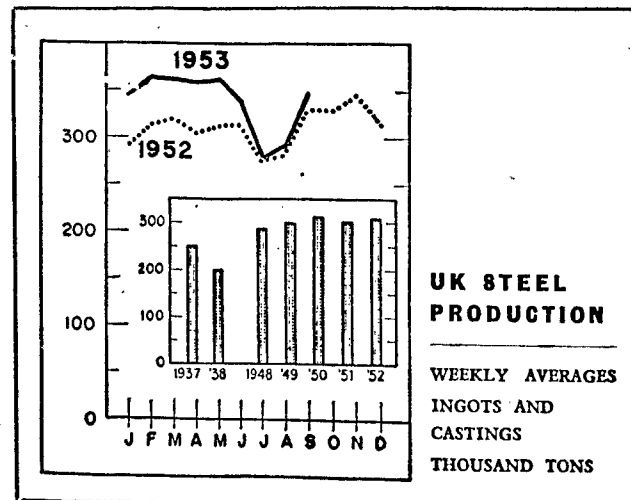
At the level of political manoeuvring that the dispute has now reached, the most interesting question is whether the Government's fears have any real basis at all. It is faced with a powerful pressure group, but are there many votes behind the pressure? The Margate delegate who said that unless the Government regained the farmers' confidence it would lose 30 to 40 seats at the next general election was surely making a wild exaggeration. Free markets, with deficiency payments, will make the farmers grumble, but would they really be converted to socialism? And in how many constituencies are their votes, and those of the farm workers who are not already Labour supporters, decisive? It would be a pity if the Government made a cowardly retreat, and it would look only the more foolish if what frightened it was in fact a myth.

New Policy for Housing

MOST Conservatives have always regarded the housing drive in terms of a military operation and, by this simplified criterion, Mr Macmillan has made a success of it. The party conference naturally registered its delight that the promised output of 300,000 houses a year is nearing realisation, to the undeniable discomfiture of Labour critics. But the conference also showed some recognition that the mere production of heavily subsidised new houses does not of itself constitute a housing policy. Ministers are plainly now looking for a broader and sounder policy, and on this they need not fear excessive criticisms from their own supporters.

That was made plain by the response to the Prime Minister's speech. He clearly indicated that the Government was now ready to amend the Rent Restriction Acts and would not be deterred by the political prejudices that are certain to be excited. It remains to be seen whether the amendment will be large and swift enough to restore to the private landlord the economic function of which he has been so pointlessly deprived. But at least a first step towards a realistic housing policy can now be expected, and it will deserve a warm welcome.

Beyond this first step, Conservative housing policy



seems to remain somewhat confused. Mr Macmillan clearly expects that the scope of private building, now largely freed from control, will progressively widen. It is a necessary and proper corollary that the scope of public housing should progressively contract to the point where its benefits are concentrated on the poorest and worst-housed sections of the community. Ministers paved the way for this development by emphasising the interest of Conservatives in the renewal of slum clearance schemes. But there are many awkward issues to be faced before a sounder equilibrium is reached, and the task of the Government is made no easier by the demands of some of its supporters for new types of subsidy for house purchasers. If Mr Macmillan means, as he said, "to disentangle the country from the bog of subsidies," he must firmly set his face against anything of the kind.

Bulldog and Mongrels

MR. DEAKIN'S successes at Margate opened up a path by which he might follow Ernest Bevin from his union to a commanding position in Parliament, and he also helped to bring moments of unity to the Labour party. But he created havoc in the Confederation of Shipbuilding and Engineering Unions. His description of the engineering unions' plan to nationalise large sections of their own industry as "a mumbo-jumbo of meaningless words," and as "the worst abortion ever conceived in the mind of man," has given great offence; and the executive council of the confederation is calling on the executive council of Mr Deakin's union for an explanation of his attitude. They have also written to the TUC.

As a union that was a party to the "Plan for Engineering" the Transport and General Workers' Union will find it hard to "explain" the vigorous denunciations of their general secretary. It is true that the official attitude of the TGWU, ever since the plan was published two years ago, has been to maintain "reservations" about it, emphasising that it must be fitted in with the general programme of the industrial and political sections of the Labour movement. But this is a far cry from the bulldog ferocity of Mr Deakin, who has since added insult to injury by describing his critics on the executive of the confederation as "a lot of mongrels snapping at my heels," and by implying that the plan is a Communist plot to disrupt the engineering industry.

The cleavage between the craft unions and the general unions in the Confederation of Shipbuilding and Engineering Unions may once again become apparent now that the employers have rejected outright the confederation's claim for an all-round increase of 15 per cent. Last year the moderation of the general unions was a considerable brake on the belligerence of the craft unions, who wanted to ban overtime and piecework to enforce the extravagant claim for an extra £2 a week. On the other hand, the fighting spirit recently shown by the Electrical Trades Union, which is affiliated to the confederation, may prove infectious—even if it proves to be less bellicose now that the court of inquiry has tried to clear up the misunderstandings that sharpened that dispute.



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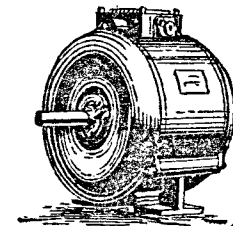
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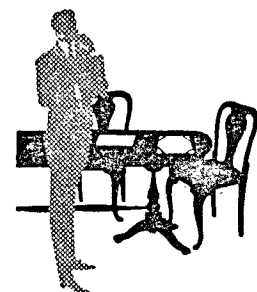
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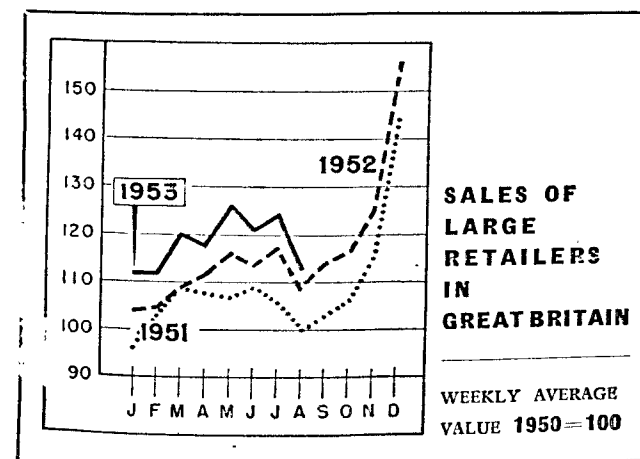
Communist Trade Unions' Plans

THE World Federation of Trade Unions, which held its third congress in Vienna last weekend, is preparing to make greater efforts than ever to split the free trade unions of the non-Communist world, and to gain control of labour in under-developed countries. The WFTU may already be said to be the Soviet Communist party's most effective political weapon in the colonies, in Latin America, and in those areas, such as Indonesia, that have defied Marxist-Leninist theories by ceasing to be colonies without becoming Communist states.

One of the main items on the Vienna agenda was a report by an Indonesian trade union leader, and one of the decisions taken was to increase the number of representatives from the "colonial and semi-colonial countries" on the executive and general council. There were three representatives from British Guiana, one of whom spoke during "Russian Hour" on the Vienna radio about the "meagre rights given by the reactionary constitution that was dictated to us by the British."

M. Louis Saillant, the WFTU's secretary-general, emphasised that demands for trade union rights in the colonies must be linked with political aims in co-operation with the "peace movement." His report also dealt with the campaign to split the non-Communist unions. The WFTU had done well, he indicated, in securing united action with members of unions that were affiliated to the International Confederation of Free Trade Unions. In Italy, the world had recently been shown how a short general strike for higher wages and against dismissals could be organised together with other unions, and the Italian example should be followed. Boasting about his release from prison, M. Le Léap declared that this was due to the fact that the French bourgeoisie "dreaded the working people." The government, he claimed, was forced to retreat because the CGT, the Communist-dominated French labour organisation, supported the great strike this year.

The attendance of representatives from free trade unions seems to have been very small, in spite of the preliminary work that was done to secure them, and the funds that were collected to pay their fares. The British TUC, which left the WFTU some years ago on account of



its Communist bias, naturally did not send representatives, and the presence of only "four British observers" was reported. However, the WFTU is much more effective in areas where unions are still only rudimentary. Responsibility for Communist success in the colonies rests heavily with the free trade union organisers, who have done too little to canalise the demands for better conditions and greater labour rights that inevitably go with increased political power.

Norway Holds Course

THE Labour party that has governed Norway for eighteen years, except for the break caused by the war, has been rewarded by the electorate with another four years of power. Thus the Norwegians maintain their reputation for rugged individualism, not by accepting their right-wing parties' argument that it is time to shake off the fetters of socialism, but by maintaining in office what is now the only Labour majority government in Europe.

The result of Monday's elections was by no means to be taken for granted, in spite of Labour's long tenure of power. An electoral reform favourable to smaller parties had been conscientiously enacted by Hr Torp's government last year. Its effect is such that, whereas in 1949 Labour won 85 out of 150 seats, it would have been lucky to get 76 this week with the same proportion of votes.

In fact, Labour secured 46.6 per cent of the votes on Monday, one per cent more than in 1949, and emerged with a small but absolute majority, the effectiveness of which is increased by the reappearance in the *Storting* of the Communists, who got less votes than in the 1949 elections but profited more than others from the new electoral law. The three Communists are unlikely to support the right-wing parties in any attack on Hr Torp's social or economic policies; the Right can be counted on to swell his majority if Norway's Atlantic policy is questioned. In this last respect his hands are much freer than those of the new Social Democratic premier of Denmark, Hr Hedtoft, whose minority government depends uncomfortably on the fickle favour of the neutralist Danish Radicals.

Peking's New Deal with Ceylon

IN sharp contrast to the previous occasion, the signing of this year's contracts for the exchange of rubber and rice has aroused little enthusiasm in either Colombo or Peking. The negotiations, which lasted three weeks, were supposed only to touch on prices, and even then the actual prices were withheld until they had been considered by the cabinet in Colombo. It is probable that the Ceylon delegation found the Chinese in a much less accommodating mood than hitherto, since their need for rubber was less urgent as a result of the truce, and, from all accounts, a rice surplus is going to be even harder to find in China than last year.

The terms of the new contract have been shrewdly drawn

with an eye to political repercussions. The Chinese will now pay 28d. per pound, compared with 32d. previously, for the top grades of rubber. Ceylon will get its rice for £47 per metric ton (about £49 per long ton) compared with £54 last year. On the surface this looks like a handsome bargain, since rubber on the free market now fetches only 17d. per pound, while rice has been sold on an inter-government basis for £55-£60 per long ton in the past year. But there is always the chance that the price of rubber may recover—it was as high as 28d. as recently as last December—and the Ceylonese were optimistically hoping for a somewhat higher price. And, as for rice, the present agreement happened to coincide with the announcement of a new five-year agreement with Burma, which gives Ceylon better quality rice at only £1 per long ton more than the Chinese price, and assures it of lower prices in the subsequent four years. Though Ceylon can reflect on its good fortune in selling rubber above the world price and buying rice relatively cheaply, the Chinese are evidently beginning to tighten the screw. It is rather ironic that Ceylon is one of the few non-Communist countries that stands to lose if the United Nations' strategic embargo, which it has refused to apply, is relaxed; for the Chinese—hard businessmen as they are—would not pay premium prices if they could buy rubber more cheaply on world markets.

Meanwhile, as a result of the Ceylon government's bargains, there is mounting pressure to have the benefits passed on to the consumer. Indeed the controlled price of rice has already been reduced, but the call to restore the food subsidies, which were cut in Ceylon's recent budget, remains strong. As regards rubber, the producers, whose expectations have been disappointed, are now asking the government to reduce the levy which it earmarks for rehabilitation and replanting. It can only be hoped that the new Prime Minister, Sir John Kotalawala, will continue his predecessor's austere but sensible policy.

The New Socialism

THE lecture delivered at Bromwich last weekend by Mr Hugh Gaitskell provides an important example of the attempt to establish a resting place for intellectuals in reluctant retreat from nationalisation. Private saving and investment will, "there is every reason to fear," be inadequate in "a society advancing towards true equality of opportunity." So public saving and investment must take

Next week's issue of *The Economist* will include a survey of the

British Motor Industry

with articles on the new cars, market prospects at home and abroad, and comparisons of price and performance for all current models.

its place, not merely in industry which has been nationalised in the usual sense, but by a process of infiltration into particular private enterprises. Suitable public institutions should, for instance, accept ordinary shares in discharge of death duties; they should "find the risk capital to finance investment" in existing firms; and they should carry through such particular investment projects as appear to be in the interests of the economy as a whole but are being neglected by private enterprise.

Such proposals have the obvious advantage of harmonising the decencies of Socialist conformity with a respect for the virtues of competitive enterprise, of flexibility and decentralisation. And indeed there may well be a role for such a form of public ownership, just as there is for nationalisation proper. The harmony, however, is deceptive. Let public ownership of equity capital largely supersede private ownership; let the state, in the person of an appropriate official, use the power of its holdings to determine the policy of private firms, to vote their directors into and out of office, to blow them up or kill them off according to the requirements of the current "plan"; let the flow of fresh capital into industry be channelled, not by the judgment of the market, but by the tug-of-war of political interests and departmental wire-pullers. Would enterprise and efficiency then fare better than under straightforward nationalisation? They might fare worse; for while a tough head of a public corporation may achieve real independence, Government nominees in private boardrooms would have none.

Private saving and investment may, indeed, be rather lethargic. A certain lethargy might be expected from Gordon Pirie himself were he heavily doped and equipped with a ball and chain. It does not follow, however, that he should therefore be retired from marathon running in favour of a bureaucrat; it might be better to try a little less dope and fewer shackles.

France's Backward Farms

THE French government, brought to judgment last week before the Assembly on charges of misusing its special powers during the recess, has survived the first Communist and Socialist assaults. But, having weathered this storm, M. Laniel must be anxiously counting the ranks of his own supporters. Not only have many Radicals and Christian Democrats (MRP), both of whose parties are represented in the cabinet, openly criticised the government's economic policy, but in view of peasant discontent even conservative deputies representing farming districts have become restive. Public servants had already struck in August to redress their grievances; now farmers are resorting to "direct action" to protest against falling agricultural prices.

It is true that the "barricades" raised this week by smallholders on many French roads smacked more of a Raimu film than of a revolutionary outburst; at some of them, frustrated motorists were offered surplus wine as a consolation. But the purpose of the whole action was to show that peasant patience is drawing to an end, not to paralyse the life of the country. It was a timely reminder for the government that agriculture is even more in need of a drastic overhaul than industry. Relatively primitive forms of farm-

ing have been kept alive behind a tariff wall; the failure to extend scientific methods, the lack of modern equipment and fertilisers, and the artificial maintenance of small inefficient farms, divided into still smaller strips, have resulted in low yields and high prices. Thus, despite the low income of a large part of the French peasantry, prices of French agricultural products are not competitive in European markets, nor are they low enough to step up home consumption. Even when a bumper crop, like this year's, brings farm prices down, the benefits for the urban population are lost on the way in the channel of distribution. This last is a leading item on the list of farmers' complaints in the present campaign, and the argument carries weight with the rest of the population.

But the cutting down of middlemen's profits is not enough. Official experts are well aware that what is necessary above all is to modernise antiquated techniques, and they have prepared a four-year plan for that purpose. It looks for a 20 per cent rise in agricultural production by 1957. Half of this increment would go to the home market, and the other half—at first receiving government support—is destined for export. This should enable France at last to turn its agricultural deficit in foreign trade into a surplus and to lay the foundations of further development. The plan, however, involves a bold policy of investment. The government, before embarking on the perilous debate on European defence, has switched its attention to the countryside. To parry the dangers of an immediate outburst it has decided to purchase some meat and other foodstuffs. But will it rest on its laurels as soon as the immediate danger has died down, or press on with the urgent task of reconstruction?

Comrades in the Countryside

THE new Soviet policy of incentives and concessions for farmers places a heavier burden of responsibility on the Communist party cadres in the countryside. It will be their task to see that the new appeal to the peasant property instinct does not lead to any encroachment on the collective farm system. The party machine is better equipped for controlling the peasantry than it was before the war. There are now about one million Communist cardholders in the

SOVIET POPULATION AND PARTY MEMBERSHIP

	Population (million)			Party Membership ('000)		
	Urban	Rural	Total	Urban	Rural	Total
1939	55	115	170	1,447	153	1,600
1953 (est.)...	80	130	210	5,500	1,000	6,500

countryside, and the number of rural party centres has risen from 12,000 before the war to 76,000. At the same time the number of collective farms has been reduced through amalgamation from 243,000 to about 93,000, so that the party's hold on the countryside has been greatly strengthened. Even so, there are still many farms without party cells, and not

all new recruits can be relied upon. Above all, the Soviet Communist party has always been a predominantly industrial organisation, and even now, while there is one cardholder for every eight urban workers and employees, only one out of eighty adults in the countryside belongs to the party.

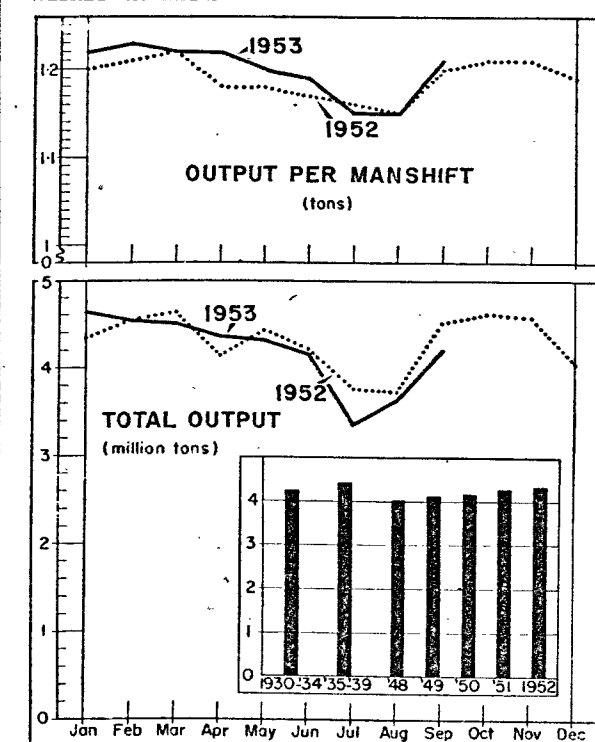
To strengthen his rural front, the first secretary of the party, Nikita Khrushchev, has ordered the transfer of 50,000 activists from the towns into the countryside. Thus, once again, as after the civil war and during collectivisation, urban reinforcements are being called for. Khrushchev hopes that his task will be made easier next year, when 100,000 agricultural specialists, who up to now had worked in governmental offices or were still at college, will be sent to work on the land. But the enthusiasm with which Soviet propaganda describes the departure for rural work of a few urban "volunteers" shows that it is not easy to induce town-dwellers to migrate. Nevertheless, the quota will have to be filled, since the government depends largely on the party cadres and on these town-trained specialists to keep in check the peasant aspirations to greater freedom that have been encouraged by the new policy of concessions.

Older Manpower

IT has long been clear that the customary ages of retirement are too low for the needs of the times. The National Advisory Council for the employment of older men and

COAL PRODUCTION in GREAT BRITAIN

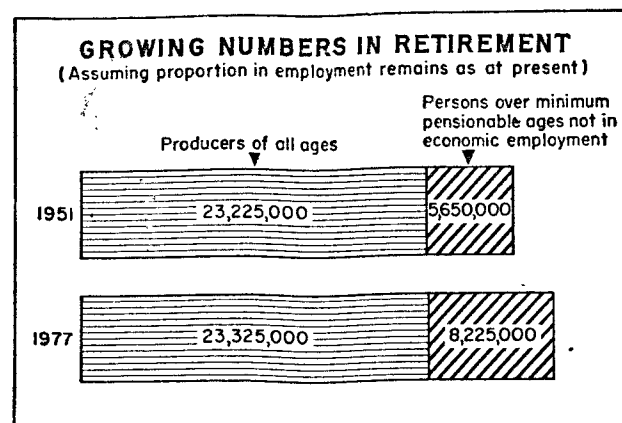
WEEKLY AVERAGES



women, whose first report was published this week, would abolish them altogether; it insists that capacity, not age, should be the only criterion when taking on new workers or retiring old ones.

The problem that has prompted these recommendations is illustrated in the chart. Old age pensions will become a crippling burden unless more old people stay at work. And if this change is needed for the sake of those who would otherwise support the old, it is also needed for the older workers themselves. As the general health and expectation of life steadily improve, fixed retiring ages condemn many able and active people to an idleness and boredom that may be more ageing than any amount of work. From the nation's point of view such premature retirements are a waste of skill, and—particularly in the case of those with professional and managerial experience—a waste of public and private investment in their education and training.

The report recommends ways in which the obstacles to employing older workers can be overcome. Pensions schemes, which now make it expensive to employ older



workers, could be adjusted so that the ultimate pension of the elderly recruit is related to the actuarial value of his contributions. A greater difficulty is that older workers block the promotion of those in middle life. But frustration is largely a matter of being denied something one has learnt to expect. It could easily become taken for granted that the peak of a man's career occurred two or three years later than it does now. On the other hand, the committee perhaps shows a theoretical ruthlessness that would be hard to put into practice. It would be unpleasant to sack the man who was past his prime while retaining his more vigorous colleague. It would be still more difficult, if he has held a position of authority, to ask him to step down into an inferior one, as the committee suggests should be done. The great advantage of the fixed retiring age is that it makes such invidious decisions unnecessary. But at least the age can be raised and the exceptions to its ruling be frequent.

Crichel Down

MINISTERS cannot be feeling altogether happy about the Ministry of Agriculture's action over the former bombing range at Crichel Down, in Dorset, between

Salisbury and Blandford. Some 726 acres of land are involved, all compulsorily acquired from private ownership for wartime needs. Now it appears that the land has been transferred to the Commissioners of Crown Lands and let, entirely by private treaty, and that the original owners have been given no chance to buy back their former holdings.

In reply to a demand for a public inquiry, the Ministry has this week blandly stated that "no new fact or consideration" justifying such a course has been disclosed, as though the whole circumstances of the transaction are not of themselves matters that should be ventilated in public. The sole ground for the Ministry's decision, it would seem, was the advice tendered by its own officials, and there is some evidence that its soundness may be questioned. But what is at stake is something more fundamental. The powers that were given to officials during the war to take property away from individuals were temporary, based only on the needs of that day. They were never intended to give officials the right, years later, to decide among themselves what permanent use should be made of the property, and by whom. That is an abuse of power.

It is surprising that a Conservative minister should, by implication, defend both the illusion that Whitehall always knows best and the arrogance that holds that Whitehall need not justify its actions to the public. It is perhaps less surprising that, having done so, he should refuse any public inquiry bearing on these most dubious beliefs.

HM Bank Collector

Possibly the time may come when every village or parish may have its banker—as it has its draper or its grocer—or a person whose business it will be to settle and liquidate all the payments which individuals have to make to each other. Such a condition already almost exists in the United States, and when that stage of division of labour is reached, it will certainly be feasible to make the banker the collector of taxes at a very small cost. It would be a natural part of his business, and he would carry it into effect in the manner the most convenient to his customers, realising one of Smith's axioms of taxation. Banking, in fact, approximates to that condition amongst ourselves. In Scotland and in some parts of England almost every village has branch banks in it, and almost every tax-payer employs a banker. Might not, then, the banker be the tax-collector; or might not Mr Collector, if one must still be paid distinct from the professional man whose business it is to liquidate all the interpayments of individuals, be referred to the banker for the taxes of each one? Nobody can tell beforehand how exactly such improvements will come to pass, but we may all foresee that something of the kind will be the necessary consequence of the growth of that branch of division of labour called banking. Bankers are found the most convenient means for collecting the debts and making the payments of individuals:—why should not this principle be extended to the debts and payments of the State? At any rate, it cannot be denied, after the example of Dublin and some other places, and after looking theoretically at the subject, that great improvements may yet be made in the whole art of levying taxes.

The Economist

October 15, 1953

The most luxurious airliner ever built

All details from your Travel Agent or KLM Royal Dutch Airlines, London, Manchester, Birmingham, Glasgow and Dublin.

It is only natural that KLM, the air-line with the highest reputation for comfort, should choose the new Super-Constellation.

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ROYAL DUTCH AIRLINES



ROLLS-ROYCE

introduce

THE FULLY AUTOMATIC GEAR BOX

All Rolls-Royce models are now available with the fully automatic gearbox. Produced by the company as an optional fitting, it greatly simplifies driving—gear changes being carried out automatically and calling for no effort on the part of the driver in manipulating a gear lever or clutch. At the same time a measure of manual control over the gearbox is provided enabling the owner to select the method of gear control best suited to his own style of driving.

THE SILVER DAWN

The Silver Dawn now introduced, has been developed to conform with the changing needs of the times. Designed for the owner-driver who requires all that the Rolls-Royce traditionally bestows, it is fitted with 5-seater Saloon coachwork built by the Company.

NEW RANGE OF COACHWORK

Rolls-Royce announce a new range of coachwork on the longer Silver Wraith chassis. Advantage has been taken of the extra length available to introduce a new beauty of line, providing, at the same time, increased accommodation for both passengers and luggage.

THE CASE OF THE SHOP THAT WAS OVER SUCCESSFUL



Getting customers in was easy—but not getting them out!

LIPTON LTD., the famous grocers, were quick to accept a popular demand for provisions sold on a self-service basis. But, in one of the shops they opened—in Leeds—the very popularity of this way to shop was causing the management some concern.

Space was limited, and it was essential that when shoppers had made their purchases they should be able to pay for them quickly and make room for new customers. But at the check-outs—that part of the store where the value of goods is totalled, cash taken, and receipts issued—there were hold-ups. However hard the staff worked it was proving impossible to handle transactions fast enough to get customers through the check-outs without congestion.

With this problem, Liptons invited Burroughs' collaboration in an experiment, asking one of their machine-accounting specialists to demonstrate a Burroughs Itemizing Cash Registering Machine in action. The speed at which one girl could use the machine to register purchases, give tickets and change, was timed.

Result: So satisfactorily did this Burroughs machine work under pressure, that Lipton Ltd. installed one straight away (later two more) in their



Seen demonstrating the use of a Burroughs Itemizing Cash Registering Machine is Mr. Paul Stark, the Burroughs representative who helped Lipton Ltd. to solve the Case of the Shop that was Over Successful.

For expert advice on business figuring

CALL IN Burroughs

Leeds shop. The increased speed it has brought to transactions there—and the consequent improvement in customer relations—has led to the installation of similar machines in other self-service stores operated by Lipton Ltd.

What about you? If your business could benefit from faster, accurate figuring, call in Burroughs. They can offer advice on all the latest systems, for Burroughs market the world's broadest line of modern record-keeping machines: Adding, Calculating, Accounting, Billing and Statistical Machines, and Microfilming Equipment. Remember, once you have any Burroughs machine, Burroughs Service guarantees its efficiency in operation.

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Books & Publications

Reason in Politics

PRINCIPIA POLITICA.

By Leonard Woolf.

Hogarth Press. 319 pages. 25s.

"THE society which has developed during the last 50 years in Europe is not viable." This uncompromising judgment provides Mr Woolf's point of departure for the third volume of his study of communal psychology. (Two volumes of "After the Deluge," now reprinted, came out before the war from the same press; Keynes suggested the present title.) Appalled by the catastrophe of 1914, Mr Woolf has spent many years looking into its causes. In this latest analysis of the ills of society, he does not conceal the nasty facts of political life which, we all try to pretend to ourselves, do not really exist: "the almost incredible stupidity and cruelty of communal beliefs and actions, the suicidal savagery of nations, churches, parties, sects, and classes." He observes the "continual feeling at the back of the mind of apprehension, obstruction, helplessness" by which ordinary people are dogged today; he cannot forget that the stable Victorian society into which he was born lost all its stability in the war of 1914, and that "progress" since then has been more backwards than forwards. And he wants to know why.

He begins by disposing of the argument too often used by "realists": that politics is only about power and that ideas are therefore without political importance. Knowing that there can be no simple answers to the highly complex questions of modern history, he advances, through discussions of Greek religion and of the processes of education which are only apparent divagations, to a critique of the modern authoritarian state. He finds a "loss of the sense of values through the confusion of political means with social ends... one of the commonest and most corrupting of historical phenomena," and sees that "the pattern of human behaviour inevitably compels all who choose authoritarianism to follow the same fatal path in order to maintain themselves in power"—hence the distressing similarity in method between communist and fascist regimes, which began from such different premises. For "in politics it is the logic of the means adopted, not the end aimed at, which inexorably determines events."

Moreover it seems clear to him, after describing the gyrations by which Stalin kept his supremacy, that "the means adopted are precisely those which cannot produce the ends desired" by the original conceivers of communist policy: "The police state remains; the ideals of

Marx and Lenin are interred in communist resolutions." Mr Woolf's account is coloured by some robust, old-fashioned anti-clericalism, as well as by an honest man's hatred of tyranny; the dogmatic element in Stalinism repels him almost as forcibly as the terroristic. He concludes that "The values in an authoritarian society are fundamentally wrong and the longer it exists the more corrupt they become." Yet he suggests this ground for hope:

The dictator will either make his subjects so stupid, so ignorant of facts, so frightened of thinking for themselves that they will no longer be capable of performing their jobs efficiently, or they will remain sufficiently intelligent to endanger the stability of the régime.

Just occasionally the lesson of history is not only that nothing is learned from history, and "the injection of a moderate amount of reason into our communal thought and action" for which Mr Woolf pleads may yet save the world from some of the worst disasters—if the dictators' dilemma which he describes does not lead, as such dilemmas have done before, to war.

"Principia Politica" will annoy many readers, especially those of a conservative turn of mind, and may exasperate students of politics by what it leaves out as well as by what it puts in; but few will deny that this provocative book was worth publishing. In a further volume Mr Woolf hopes to expound a reasonable, libertarian system of government, a system which "creates for the individual a framework of freedom, limited for him only by the minimum possible number of rules and regulations in the making of which he himself must have a say." Readers of this book can look forward with interest to a constructive sequel.

Mirror Image

PUBLISH AND BE DAMNED!

By Hugh Cudlipp.

Andrew Dakers. 292 pages. 12s. 6d.

Publication of this book will not damn either Mr Cudlipp or the *Daily Mirror*, even though neither comes out of the narrative with anything more than haloes of impudence and business acumen. Indeed, it should be read by those who condemn the newspaper without having read it attentively. For the book explains how—and to some extent why—educated men feel it their mission to write down to what Mr H. G. Nicholas has called "the lowest level of pungent comprehensibility."

Here, chapter after chapter, is the very style of the paper; Mr Cudlipp on Mr Godfrey Winn's appeal to the public is sheer joy; on Richard Jennings, the leader writer, and Cassandra, the columnist, there is some admirable stuff, even though it begins with this specimen of style:

It is now necessary to select a fine fretwork saw, stand on a chair, cut around the craniums of two men, lift up the lid and peer into their brains.

Here are revealing photographs of the key men, past and present: Mr Cecil Harmsworth-King, the quietly spoken chairman, of whom Mr Churchill is said to have remarked during the war, "Well, you look innocent enough"; and Mr Sylvester Bolam, in the posture of an eminent consulting surgeon saying: "We believe in the sensational presentation of news and views, as a necessary and valuable public service in these days of mass readership and democratic responsibility." Here are some of the secrets of how to shock not the bourgeoisie but the other ranks.

Unfortunately Mr Cudlipp's treatment of his theme throbs with inverted snobbery. His digs at the *Daily Express* and the *Daily Sketch* (later *Graphic*) are unfair, for it is clear to anyone every Sunday morning in this country that circulation will rise if an editor and proprietor are prepared to go really downward with the people. He claims that the *Mirror's* manner is free of humbug; but there are passages in this book as much like humbug as anything one has read. What, for example, is to be thought of "God Save the King" as front-page banner-line for the issue which harried Mr Baldwin for the truth about the abdication crisis in 1936 and devoted two pages "to the stories I had collected from the American press"?

None the less, there is plenty of material here to show how the *Daily Mirror* has become a political and social power in the land. The war gave it the chance to decide, the tabloid revolution having been completed, what its purpose and serious content might be. It came into the traditional stream of patriotic radicalism (something like William Cobbett) and made a splash big enough to awe the Prime Minister and cow his Home Secretary. The new material about the Government's threat to suppress the paper is of the highest interest, and the description of a lecturing by Mr Herbert Morrison is a gem of reporting.

To the eternal question "How does Fleet Street know what the public wants?" Mr Cudlipp returns a better answer than is usually given. He quotes liberally from the 3½ million letters received from readers in the years. Describing the Bartholomew changes of the middle thirties he writes:

Behind the barking and the tinsel, however, was a closely reasoned scheme. The plan which these young men evolved was simply this—to get under the readers' skin and stay there. They were all, in their way, lay psychologists. Most of

them had come from working-class or middle-class families in the provinces; they really knew and had personally experienced the aspirations and setbacks, the joys and heartaches of the millions of ordinary people whom they set out to entertain and instruct.

That explains everything except the quite ridiculous conventions of style that Mr Cudlipp and his colleagues inflict on themselves. Simple, clear, vivid writing will do all they want to do; indeed, it has done it regularly in the leaders of B.B.C. It will be interesting to see whether the *Daily Mirror* can be sensational without being turbid, serious without becoming pompous, and human without gross sentimentalism. It shows signs in this book of aspiring to all three achievements.

Colonies in the Pacific

THE SOUTH SEAS IN TRANSITION.
A study of Post-war Rehabilitation and Reconstruction in Three British Pacific Dependencies.

By W. E. H. Stanner.
Harper, 448 pages. 45s.

THE drama of events in Africa sometimes obscures the fact that colonies in other areas are also in the grip of change, political, economic, social and demographic. Pacific islands may seem small and remote, but they reproduce many of the intractable features of the colonial dilemma elsewhere. In Samoa, for example, a native population is pressing for immediate self-government with all the firmness of West African nationalists, and is no less ready to sacrifice some of the efficiency of the West—which in any case they esteem lightly—to get it. In Fiji, a philoprogenitive population of Indian ryots is encroaching upon a limited cultivable area and the rights of a pro-British race of Polynesians whose system of values leaves them at as great a disadvantage as that of the Malays vis-à-vis the Chinese. In New Guinea, some of the aspects of the Kenya problem are emerging. In providing so detailed an analysis of these territories, even though he was able to carry the story only to 1950, Dr Stanner has done a most useful service.

New Guinea, in particular, promises to become an issue of moment, in view of both the Indonesian claims on it and the revival of Japanese interest. The Australian attitude towards it has fluctuated. Before the war there was an indifference born of sentimental anti-colonialism. In the war came awareness of its strategic importance, and the southern area was held at high cost in Australian blood. Then came the Labour "New Deal" so shrewdly dissected by Dr Stanner—a policy grounded on a revulsion from capitalist "exploitation," even though private enterprise alone provided the revenues for welfare. This policy, while modified subsequently, has notably failed to solve the problems of a primitive population and has prevented a return to prewar production—just at a time when Aus-

tralia is challenged to develop this underdeveloped area or to justify a dog-in-the-manger attitude. Dr Stanner, however, deals effectively with the school of thought that thinks New Guinea is bursting with "vast resources," which only await a bit of push and bulldozers to bring them to bearing.

New Guinea, like Fiji and Samoa, is a poor country; but it may well be asked—as Dr Stanner, who alternates convincingly between the armchair economist and the field-working anthropologist throughout the book, does not omit to ask—just what a "low" living standard really means in terms of a primitive people. True, there is only a 0.001 density of telephones per inhabitant in New Guinea (including four that do not work), but to change all this will produce discontent and unhappiness. Yet the damage is done. Not the least interesting part of Dr Stanner's story is his description of the "cargo cults" among rebellious New Guinea or Papuan natives—anti-white movements in which, however, the motive power is some prophecy that all the material blessings of white civilisation will be delivered, untold for, by miraculous means. Whatever the cost in loss of happiness, the "blessings" will come; the question is one of timing.

Practical administrators may find some of Dr Stanner's anthropology indigestible; business men will find some of his economics defeatist; but this book is a serious attempt—one of the few—to evaluate just how much Western culture particular primitive societies can assimilate, and how quickly, without causing the strains that lead to the sort of breakdowns which have manifested themselves elsewhere.

Shorter Notices

ECONOMIC TRENDS AND ECONOMIC POLICIES: Developments and Discussions in Sweden after the First World War.

By Erik Lundberg.
Norstedt and Söner, Stockholm, 550 pages. S.Kr. 28.50; with stiff back, S.Kr. 32.50.

As head of the Business Research Institute in Stockholm since the war, Professor Erik Lundberg has had excellent opportunities to observe, analyse, record and, particularly through the institute's regular publications, influence economic thought and policy in Sweden, quite apart from his position as probably the foremost Swedish economist. This book by him, originally started on the initiative of the League for Economic and Social Studies (an organisation founded and financed by Swedish business and banking circles to study economic and commercial problems), is now published by it in collaboration with the Business Research Institute. Its scope, as it must be for a country so closely affected by international movements as Sweden, is far wider than its title suggests. The various theories adopted at different times to explain economic developments since the First World War are submitted to critical examination, with especial emphasis on the depression of the thirties. Its conclusion, rather startling in view of the esteem (considered undeserved by Professor Lundberg)

in which Swedish national planning is widely held, is that true planning is impossible, and is often irrelevant (being frequently dictated by administrative convenience rather than economic significance). In any case, it depends for the accuracy of its premises on information best supplied by a free market—which the very planning circumscribes.

Such a brief review cannot give more than the barest indication of the book's scope and its contribution to discussions of the technique and effects of the national budget, of the effects of full employment and the other pressing economic problems of modern society. It is to be hoped that an English version will soon be available for a wider public.

ELEMENTS OF AMERICAN FOREIGN POLICY.

Edited by L. Larry Leonard.
McGraw-Hill, 611 pages. 52s.

For this volume of the McGraw-Hill Series in Political Science, Mr Larry Leonard has assembled and slightly pre-digested some of the materials needed for a study of American foreign policy in its historical setting. Many of the famous documents appear, although, as the editor explains in the preface, they are "tailored" to suit his purpose of providing a "basic textbook." With them are extracts from public reports, congressional hearings and even magazine articles, grouped in sections covering the constitutional and administrative framework within which foreign policy has to be evolved, as well as the policy itself.

Much of the material is interesting enough in its own right (though here and there it is already a little out of date), but in his presentation of it Mr Leonard falls between stools. The texts are not full enough for the scholar, while for the general reader the less momentous of them occupy space that could have been filled more profitably with analysis which took into account a wider range of sources. Although the publisher speaks of "a dynamic new approach [which] abandons the outdated treatment of foreign policy . . ." it is difficult to see what advantage this has over a monograph with an appendix or companion volume of untailored documents.

"THE GOOD FOOD GUIDE, 1953-54."

By Raymond Postgate.
Cassell, 354 pages. 5s.

An article on "Guide Books" in *The Economist* of August 1st complained of the shortage of guide books to this country that discriminated "the hotel that is pleasant to stay in from the one that is a licensed robbery." Mr Postgate's guide (of which this is the third edition) does not deal with hotels as such, but with eating places in general. Discrimination is its main purpose and the method of compilation that Mr Postgate has devised ensures objectivity; he prints the names, or at least the initials, of those of his correspondents who have approved the entry. Unfortunately, tastes differ, and the uniformity of standards applied may suffer. But those who rely on Mr Postgate are unlikely to go badly wrong—even if they start with the sceptical conviction that he must be overplaying his hand when he claims to have found over 750 places in this dyspeptic isle where really good food can be had.

A SOCIALIST ANTHOLOGY.

Compiled by Norman Longmate.
Phoenix House, 256 pages. 21s.

The purpose of this collection is to glorify the rebel. Mr Michael Foot complains in a foreword that, owing to the success of compromise and moderation in English history, the rebel, who is the moving force, has never been given his due; Mr Foot would like to see Tom Paine acclaimed as the greatest Englishman of the eighteenth century. Mr Longmate, it is true, puts his purpose rather differently—to assemble documents to illustrate the development of Socialism and the rise of the Labour Party—but it is clear that the moral which the reader is intended to draw is "Keep Left." This is a book to cheer on the missionary militant, whether by filling him with a new fervour or an old bitterness. The latter is the easier way. Most of the material relates to the nineteenth century (with Jarrow and Ellen Wilkinson providing stirring copy of more recent date), and lest anyone should think that Socialism is something new, Moses and Plato are introduced to provide a touch of Back to Methuselah.

There is inevitably much that is grand and much that is petty in the literature of a movement of this kind which was battling against human ills. The enemies are poverty, oppression and injustice, embodied in landlords, capitalists and the House of Lords, and some people will no doubt feel that in the circumstances of a century ago, or even a generation ago, some of the rebels had no cause to fight too cleanly. But it is surely a monstrous piece of casuistry for the historian of those fights now to describe

the Taff Vale case as intervention by the House of Lords; the case came up through the courts to the House, where it was heard and decided by five law lords. Such perversions as this do less than justice to the ideals which animated the most memorable among the rebels.

THE THEORY OF MONEY AND CREDIT.

By Ludwig von Mises.

Jonathan Cape, 493 pages, 28s.

This massive classic, first translated into English in 1934, is now re-published with a postscript on "Monetary Reconstruction" inspired by the events of the intervening decades. Those events have not altered Professor von Mises's views; unchangeably, magnificently, he remains the limiting case, some would say the *reductio ad absurdum* of liberal economic opinion. Monetary theory is part of the grand apparatus of catallactics, the theory of rational choice with the accent on rational. Any apparatus of thought, or any policy, based on observations of imperfectly rational behaviour, incurs his unmeasured scorn. Keynesian theory, his particular bugbear, is largely based on an observed uniformity of preference for taking an increase in real income in the form of higher money rewards rather than of lower prices, and a decline in the form of higher prices rather than of lower money incomes. This preference is admittedly irrational. It puts an intolerable strain on the workings of any objective monetary standard; it pushes the administrators of a managed currency

and credit system incessantly and dangerously towards inflation; and it joins hands, in a manner equally sinister from the economic and the political point of view, with the powers of monopoly in every guise.

It remains, however, an undeniable datum, which any practical policy must take into account. It is certainly arguable that its internal inconsistencies should be shown up; that it is the economist's duty to conduct an untiring educational campaign against it. Professor von Mises elects to do so, however, by methods which defeat his own ends. His debating style, packed with innuendo, imputation of motive, arrogance, and plain misrepresentation, recalls that of the Marxists themselves; and he never explicitly faces the political necessities—the outlawing of trade unionism, the total razing of the welfare state, the extirpation of every form of group solidarity—implicit in his proposals for economic salvation. These are, simply, the return to a gold standard of more-than-classical purity, with 100 per cent gold cover for all currency and 100 per cent currency cover for all credit. The steps by which this reconstruction should be achieved are described with beautiful clarity. Professor von Mises's warnings against the choice of a deflationary parity are as unequivocal as his condemnation of "functional finance." But the capacity of the resulting system to work freely, smoothly, and without intolerable strain and wastage in face of the facts of human psychology and social habit is considerably more dubious than the capacity of the detested Keynesian system to resist the pressure towards inflation and regimentation.

capital and output. Although a large proportion of the national income is spent on capital formation, little is known of the investment required (in both fixed capital and stocks) for the annual production of an additional million pounds' worth of food, clothing or motor-cars. This seems to me the greatest gap in our present information.

Mention was made of the 36-industry table for 1935 published by me, and I should like to add that input-output relations were actually computed for some 150 industries (and for many times that number of commodities), but details have not been printed. Over 110 manufacturing industries were distinguished, as against 144 in the American study for 1947.—Yours faithfully,
T. BARNA

Letters to the Editor

Troops for British Guiana

SIR—In the Note in your issue of October 10th you say that "Caution would seem to be the wisest course."

This accords, of course, with our English ideas about freedom of expression for the individual, freedom of the Press and the theory that one must be careful, when suppressing sedition, not to drive it underground.

These liberal tenets are, no doubt, nearly always wise and valid in this country, and at times and under certain circumstances valid everywhere. But surely one occasion when they are not applicable is in dealing with Communism as at present organised and propagated amongst dependent peoples. We have before our eyes the terrible example of Malaya where over-caution allowed the Communist conspiracy to establish itself with all its appalling consequences.

As a former member of the Malayan Civil Service, I know that if the man on the spot had in 1946 and 1947 been allowed to deal with the preliminary

symptoms as he wanted to, it is almost certain that Malaya would not have had to face a struggle which has lasted over five years and has cost so much in human suffering and resources which could have been put to better ends.—Yours faithfully,
London, S.W.1 W. C. STEWART CORRY

ABC of "Input-Output"

SIR—In your article of September 19th and 26th I felt that you put the claims of tables showing transactions between industries too high. I think that statistical detail beyond a certain point (say, a 100-industry table) is of little use in economic forecasting, mainly because of the possibility of substitution between narrowly defined industries. If the structural changes in the economy were known, it would perhaps be possible to forecast demand for, e.g., non-ferrous metals or hard fibres, but hardly for individual metals or fibres.

One important point has been ignored in your articles: the relationship between

Indians in No Man's Land

SIR—In what was otherwise a balanced comment, you appeared rather over-caustic in referring to India's alleged inaction in the Korean campaign. It seems incorrect to evaluate every move in terms of military action. Even today one wonders what the objectives of the Korean war were and what was actually achieved. Neither side has won a military victory, though both have paid heavily, while Korea has suffered tremendous destruction. The crossing of the 38th Parallel, against which neutrals like India had warned, proved to be one of the main factors that prolonged the war. And now both sides are groping

their way to the *status quo*. Can India be accused of inaction if she did not participate in a war of vague objectives and of doubtful benefits?

Let it not be forgotten that India contributed a medical unit, helped to bring about the truce, and agreed to serve on the repatriation commission and to provide a custodian force. Only India's critics (and not friends as you suggest) would perhaps rejoice in the belief that the recent anti-Indian incidents in Korea would bring home to Mr Nehru and his colleagues the hard facts of the Korean war and the unhappy nature of India's task. This belief is mistaken, for India undertook the task of providing the custodian force with the full knowledge that it was a thankless one.

These few points have been made not to assert any "superior virtue," but to emphasise that participation in a war is not the sole criterion for judging a country's action or inaction. I, of course, concede that at times some utterances of India's spokesmen may have been irritating. But these are characteristics which its politicians probably share with many others in the world. I hold no brief for Mr Menon's pronouncements, but may I point out that on more than one occasion Indian soldiers of the custodian force did, in fact, quell disturbances unarmed?—Yours faithfully,

D. K. RANGNEKAR

London, W.2

[The objective of the Korean war was to repel an invading aggressor. This was achieved, thanks to the joint sacrifices of 16 nations, whose soldiers died to prove that aggression no longer pays. India, in June, 1950, officially endorsed the United Nations' appeal to member states to help defend South Korea; but it sent no fighting men itself. The fact that it has now provided 5,000 soldiers to guard the disputed prisoners is to be warmly welcomed, and tribute to them has been paid in our columns.—EDITOR.]

Cold Fish War

SIR—In the Note about the Anglo-Icelandic fishing dispute in your issue of September 19th you suggest "an international inquiry into the problems of overfishing." May I point out that such an inquiry has already been made, with regard to Iceland, by the so-called Faxa Bay sub-committee—composed of 9 scientists from 8 countries—set up in 1937 by the International Council for the Exploration of the Sea. This body recommended that some important fishing areas around Iceland should be closed for trawler fishing because they were important breeding grounds for fish.

This has, however, been completely ignored in the fierce propaganda of the British trawler owners, who accuse the Icelandic Government of arbitrary actions, and who are—I believe—more interested in excluding a powerful competitor from the market than in the truth.—Yours faithfully,

MAR ELISSON

Australia's Incentive Budget

SIR—May I correct a surprising statement by your Melbourne correspondent? In your issue of September 19th he asserts that: "the present Commonwealth Government did practically nothing to prevent the full blast of the inflationary rise in wool values from assailing the economy. No attempt was made in Australia, as in New Zealand, to set up any form of stabilisation funds so that the abnormal returns from wool would be set aside against the inevitable day when prices should fall."

In point of fact a very energetic attempt to do exactly that was made by the Commonwealth Government in the crucial period of early 1951. The proposal involved a fund of £82 million operated by a Central Authority in London on behalf of the United Kingdom, South Africa, New Zealand and Australia; to this the Australian wool industry was to contribute £48,070,000, to be raised by a wool levy. The levy was set at 7½ per cent for the 1950-51 season, and was expected to yield £47 million; proceeds of the levy were to be placed in a revolving fund to guarantee a floor price for wool to be set each year. In anticipation of the industry's support for the scheme, the 1950-51 levy was actually collected, and had later to be refunded.

In February, 1951, woolgrowers' organisations approved the Reserve Price Plan in principle, and after formulating it in greater detail, the Australian Government submitted it to a referendum of woolgrowers in August, 1951.

The growers rejected it. Their main reason for this was the resentment they felt over the Wool Tax which was provided in the 1950-51 Budget, and which deducted 20 per cent from growers' wool cheques as an income tax pre-payment. The purpose of this effective but most unpopular tax was to cushion the inflationary effect of the wool boom by syphoning off woolgrowers' surplus spending power; its introduction took some courage on the part of the Treasurer, Sir Arthur Fadden, since it inevitably alienated that very section on whose financial contributions the Country Party largely depends for its continued existence.

It is indeed curious that such a drastic step should be dismissed by your correspondent as "practically nothing."—Yours faithfully,

W. NEWTON, Research Officer,
Queensland Division,
Liberal Party of Australia

Brisbane

Polish Church Behheaded

SIR—From what I know about the situation in Poland your pessimism concerning "the biggest capitulation" of the Polish bishops seems to be quite unfounded. The Polish bishops have, unfortunately, no means of protesting to the free world against the wording of a communique which is certainly not a correct version of Bishop Klepacz's

declaration. Of course, you should also have mentioned that Cardinal Wyszyński is the third Polish archbishop to be arrested together with his auxiliary bishop. (In Cracow and Katowice the archbishops Baziak and Adamski are in prison with their auxiliary bishops!)—Yours faithfully,

ADAM ROMER

[Our Note did not suggest that the Polish bishops willingly issued their communique on the arrest of Cardinal Wyszyński. But the fact remains that they are not free agents and that they have been forced to fall in with the regime's wishes. Monsignor Baziak was formerly Archbishop of Lvov, but in Cracow he was Vicar Capitular; Katowice is a bishopric, not an archbishopric.—EDITOR.]

Civil Service Pensions

SIR—May I add a few words to the Note appearing on page 12 of *The Economist* of October 3rd with reference to the recent falling off in the quality of entrants to the administrative class of the Civil Service?

Any such falling off is a serious matter in view of the scale and complexity of the Government's business, which calls for the highest ability which can be secured. Its causes should therefore be removed without delay, one of them being the breakdown of the Civil Service pension arrangements. The facts with regard to this matter are briefly as follows.

By a series of superannuation Acts beginning in 1859 Parliament aimed at providing reasonably adequate pensions for civil servants at retirement. These pension arrangements used to be regarded as holding out to entrants to the administrative class of the Civil Service the certainty of receiving a reasonably adequate pension after an averagely successful career. Regarded as such they proved attractive to the best leavers from the universities, and were among the factors which brought many of them into the administrative class.

But these pension arrangements no longer possess the same attraction, owing to neglect to adjust the pensions of retired officers of the administrative class to the huge increase in the cost of living, which has been brought about by the war and the postwar inflation. Thus senior officers who retired in, say, 1939 or 1947 are still receiving the same pensions as they were awarded at retirement, although money has lost more than half its value since 1939 and nearly 30 per cent of its value since 1947. In these circumstances an entrant to the administrative class can no longer be sure of receiving a reasonably adequate pension after an averagely successful career.

Nor is this the end of the matter. Not only do the Civil Service pension arrangements no longer possess the same attraction, but the Government's neglect of its old servants, which is inflicting on them a cruel curtailment of their standard of living, has begun to be widely regarded as reflecting on the Government as an employer.—Yours faithfully,

G. D. ROKELING

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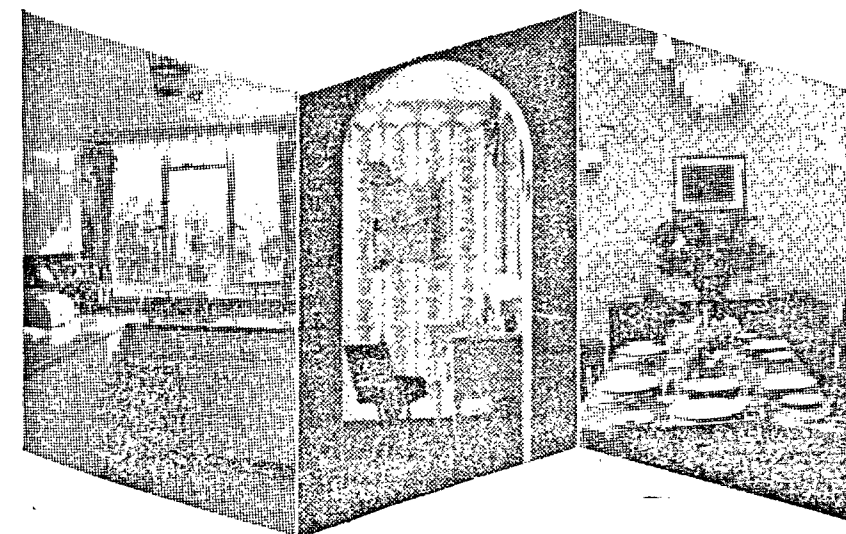
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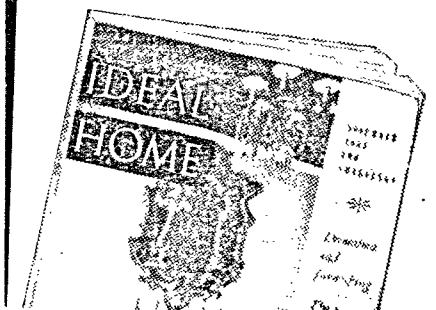
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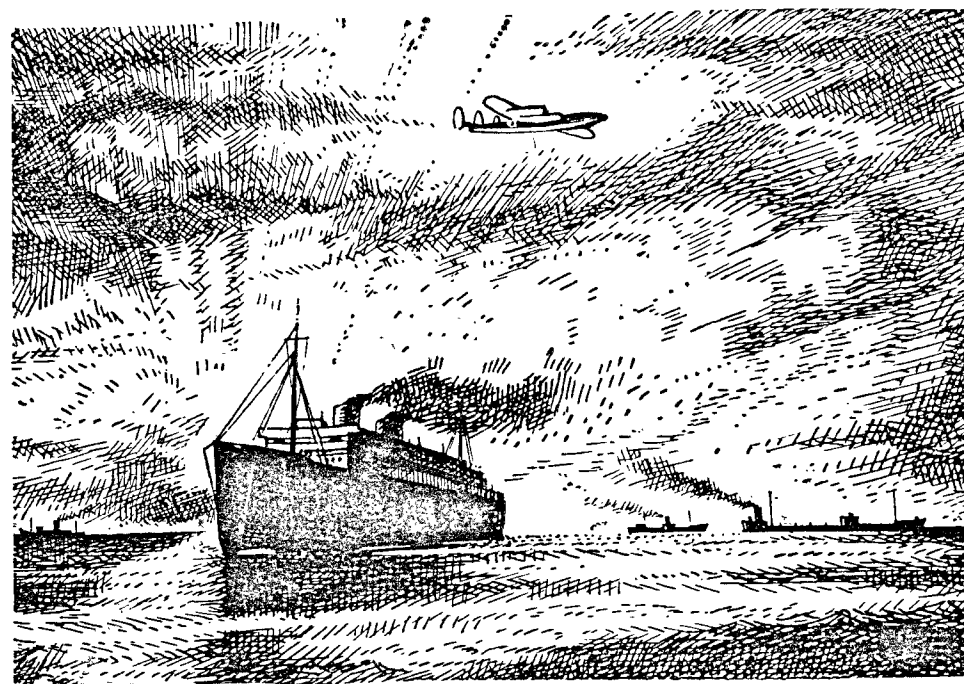
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American Survey

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Air Defence in Perspective

Washington, D.C.

ON Thursday of last week President Eisenhower read to his press conference a statement whose closing sentence he accompanied with both a glance of defiance and a smile which seemed to anticipate the amusement it elicited:

I have asked all members of this Administration to refrain from comment on Soviet nuclear capabilities unless they first check their statements with the Chairman of the Atomic Energy Commission.

The President thus hoped to conclude a period in which totally contradictory statements about risk from Soviet atom and hydrogen bombs had been made by one important Congressman and almost every member of the Administration concerned with the problem.

For example, on the very afternoon that Mr Wilson had attempted to introduce a more orderly perspective on the subject of the Soviet threat by arguing that it would be about three years before the Soviet Union had the bombs and aircraft to carry on a war, Mr Val Peterson, the Civil Defence Administrator, was painting a horrifying picture of American vulnerability and of a war with Russia in which the enemy would use against the United States every known form of atomic bomb and guided missile, germ warfare, "sabotage, psychological panic and possibly gas." And even after the President issued his request for restraint, both Mr Wilson and Mr Cole, the chairman of the Joint Congressional Committee on Atomic Energy, reaffirmed their own and contradictory views.

The Republican Administration took office with a strong belief in the value of psychological warfare. But if the events of last week had been interpreted at their face value it would have been fair to assume that the offensive had been against the American citizen, who must have found it difficult indeed to make sense of this barrage of conflicting advice.

In fact, of course, the battle was directed by the various members of the Administration against their own colleagues. October is the month when the final budget estimates for the next fiscal year have to be submitted by each department, and it is therefore the month in which every official draws attention to the importance of his own work. Beneath his portentous predictions, what Mr Fleming, the defence mobiliser, was really saying was that his office needed more funds than it had been allocated for industrial dispersion, and Mr Peterson that the estimates for civil defence were inadequate, while Mr Wilson was concerned to show that no amount of Halloween skeletons would deflect the Defence

Department from going about the business of armaments in its own way.

The real casualty of this babel has been the President's plan to make a statement or series of speeches, similar to the Roosevelt "fireside chats," attempting to bring home to the American public—and thereby the world—the essential facts about the developments in Soviet and American atomic weapons, and their effect upon strategy, home defence and international relations. This has been christened "Operation Candour." The project has been delayed from week to week while the National Security Council wrestled with the competing views on strategy which must be resolved before the budget estimates can be fixed. The result is that if and when the President does speak, the calm and clear presentation of the facts by the highest authority in the land will suffer from having been preceded by the confused counsels of his subordinates.

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The President did make it clear in his statement last Thursday that he would not reveal the size of the American stockpile of atomic weapons as a deterrent to Russia and a tonic to the free world. It had been doubtful at any time whether he would, despite the urgings of many scientists and laymen, and any doubts were set at rest in a speech by Mr Lewis Strauss, the Chairman of the Atomic Energy Commission, in New York on September 30th when he indicated that the figure would mean little to the public and a great deal to a potential enemy. Mr Strauss also made clear the limits within which "Operation Candour" would be conducted when he said that, while some outdated security precautions would be revised, "in the more limited highly sensitive areas, our security should not only be maintained but intensified." (Mr Strauss was mistakenly described in *The Economist* of September 12th as having opposed, three years ago, the shipment of a radioactive isotope to a Norwegian military hospital. The isotope was, in fact, for metallurgical research in problems connected with jet engines and according to Mr Strauss "the material was delivered directly into the hands of a technician who was subsequently found to have been working for the Soviets.")

The effect of the Soviet atomic threat on defence expenditure and the strategic disposition of American forces will not be known for certain until the Budget is published at the beginning of next year. But it seems unlikely, even if the President has had to postpone his cherished aim of balancing the budget, as he seemed to indicate at his press conference last week, that any drastic action is contemplated

outside the field of purely military development. The problem of an adequate civil defence system will remain unsolved because it is insoluble in a nation where fifty per cent of the workers live in fifty key target areas. Similarly, although Mr Peterson may assert that "if we want to maintain production uninterrupted the only thing we can do is to go down under the rocks or into the Rockies and build our factories," any serious system of industrial dispersion founders on the impossibility of reconciling it with an economic system of production.

There have been cases, such as the shift of production lines from the Boeing Aircraft plant at Seattle to Wichita, Kansas, where plants have been deliberately relocated with an eye to war. But American labour is no longer highly mobile and prefers to remain in "target areas" rather than to follow a job wherever it may be moved. One has only to pick up the industrial section of any American newspaper to see tempting advertisements from the governments of Delaware, Michigan or New Jersey inviting firms to settle there, for the very reason that they are highly developed industrial areas. In the six months in which the Office of Defence Mobilisation has offered tax amortisation certificates to companies that conform to the specifications laid down by the civil defence authorities only one firm has been granted a certificate.

Similarly, there is little evidence to show that the new Joint Chiefs of Staff, in the basic review of American defence policy which they were directed to undertake by the President, have arrived at any conclusions which emphasise the importance of American continental defence at the expense of other areas, or the specialised means of air defence at the expense of conventional weapons. The Air Force will increase in size, and according to current indications may have its eventual goal of 143 wings reaffirmed, reaching 127 wings by the middle of 1956. But as the services begin to draw on the children of the lean depression years, manpower is becoming as much a determinant of the size of the forces as money or weapons.

It seems probable, however, that the visit to Washington last week of Mr C. D. Howe, the Canadian Minister of Defence Production, has resolved an argument about the right kind of radar screen for the protection of the continent on its northern approaches. This concerns the American espousal of the Lincoln Line (named after the study of that name carried out at the Massachusetts Institute of Technology), a highly complex radar system needing considerable skilled manpower, and the Canadian preference for their own or McGill Line (named after McGill University, where a cheaper, more automatic, system has been devised) which they claim is more suited to the vast northern spaces it would have to cover. It is this argument, as much as lack of money, although some \$300 million is believed to have been spent already on the radar chain, which has held back speedier development of the northern defences.

There is another problem of continental defence which every official of the Defence Department shudders to contemplate, namely the appointment of a Commander North America, presumably with a Canadian Deputy. For such a command would almost certainly have to be given to an Air Force Officer, whose authority would have to extend not only over ground forces concerned with continental defence, but also over the large naval forces which would be responsible for providing early warning and the first line of defence on the two sea flanks of the continent. When that command is organised it will be possible to feel, for

the first time, that the policy of unification of the armed forces has been accepted.

In theory, preoccupation with continental defence might give rise to a dangerous attitude towards the overseas commitments of the United States, to a feeling that the legions must be withdrawn to Rome. In fact, however, a great many American bases and installations overseas will play an important part in the early warning chain, and the defence of the continent would be more difficult without them. What is more probable is that the realisation that for the first time since 1812, the continental United States may be in direct physical danger has played an important part in the seriousness with which the idea of a non-aggression guarantee with Russia is being considered in every corner of the American press.

Illinois Without Stevenson

FROM A CORRESPONDENT IN SPRINGFIELD

ON the night of November 4, 1952, reliable reports from the executive mansion at Springfield suggested that Mr Adlai Stevenson was sorry to lose the Presidency, but heartbroken that his party had lost the governorship of Illinois. Mr Stevenson had always been of two minds about seeking the Presidency, and was undoubtedly prepared, in some measure, for defeat. When he not only lost that office but saw his Lieutenant-Governor go down to defeat, in the Eisenhower landslide, before a Republican, Mr William G. Stratton, Mr Stevenson feared that the four years he had devoted to raising the standards of state government in Illinois had been wasted.

Illinois has now lived through the better part of a year without Mr Stevenson. The record of Mr Stratton, who at 38 is the youngest governor in the state's history, is mixed. He has not proved as disastrous a contrast as some of Mr Stevenson's partisans expected when they recalled that in 1941, as a very young Congressman and a Member of America First, he allowed George Sylvester Viereck, a Nazi propagandist, to use his congressional mailing privileges for the circulation of anti-British and pro-Nazi material. But the high moral fervour which Mr Stevenson and his eager reformers brought to Springfield has been replaced with the less heady atmosphere of machine politics.

So far, Mr Stratton's brand of machine politics appears to be an improvement on that of Governor Dwight Green, whose partisan excesses enabled Mr Stevenson, in 1948, to win by the largest margin ever given a state executive. The new governor has been shrewd enough to disappoint his right-wing supporters by courting some of the liberal elements that backed Mr Stevenson so enthusiastically. He has accomplished some things which Mr Stevenson failed to achieve. And he is very much in the forefront of Illinois Republicans; he is considered a leading contender for the seat in the US Senate now held by Mr Paul H. Douglas, who must seek re-election in 1954.

Governor Stratton got off to a bad start last January with the appointment to his cabinet of a group of politicians whose principal qualification for office was their loyalty to him during the campaign. The pro-Eisenhower *Chicago Daily News* called his appointees "Governor Stratton's team of Republican retracds" (a retread is an automobile tyre which has undergone a renovating process to prolong

its life), and warned the governor that such an administration as he seemed to be putting together would come to the same scandalous end as that of Governor Green.

That remains to be seen. There have been no open scandals yet. Governor Stratton has even used the state police, as Mr Stevenson did and as Mr Green did not, to suppress local gambling, which in Illinois has so often been the source of the corruption of county officials. On the other hand, one immediate result of the replacement of high-minded by machine-minded men has been a threat to the state welfare services.

Mr Stevenson did a great deal, by careful administration, to improve the level of care in the state mental hospitals. Within a few months of Governor Stratton's inauguration, several key officials in the welfare administration had resigned, alleging that spoils politics were now in the saddle. A non-political committee on mental health, headed by the author of "The Snake Pit," a much-quoted novel about the institutional care of mental illness, bitterly denounced the Stratton administration for cutting the mental health budget and forcing out professional staff.

★

Governor Stratton has been more successful in his relations with the legislature, partly because, unlike Mr Stevenson, he has a majority in both houses. He presented a programme which, with some exceptions, might have been offered by his predecessor. One exception was a Bill to lighten the taxes placed upon the motor transport industry to help finance highway construction. Mr Stevenson had insisted that the lorries pay their full share of the cost of the highways which they pound to pieces, but Mr Stratton had promised the industry relief in exchange for its support in his campaign, and he kept his promise. The Governor also backed, though not very vigorously, a fair employment practices Bill, to outlaw racial discrimination in hiring workers; the Republican legislators, as usual, would have none of it. He supported revision of the mine safety laws, judicial reform to take the courts out of politics, and a youth commission to combat juvenile delinquency.

The most surprising turn of the legislative session was Governor Stratton's opposition to the Broyles Bills, the local manifestation of McCarthyism. For vetoing this proposed apparatus of loyalty oaths and anti-Communist investigations, Mr Stevenson has incurred the wrath of the McCarthyites and the American Legion specialists in "Americanism." To all appearances, Governor Stratton was the darling of these elements, but he confounded them by persuading the legislature to kill one Broyles Bill and by vetoing the other. Unlike Mr Stevenson, he has so far escaped being branded a fellow traveller for his pains.

Governor Stratton scored a notable victory when, at the price of abandoning most other parts of his programme, he induced the Republican legislature to pass a Bill to reapportion the state's electoral districts, something governors have been trying to do for more than a generation. For fifty years Cook County (Chicago) has been under-represented at Springfield. If the voters at next year's referendum approve Governor Stratton's reform, one house of the legislature will have a rural majority and the other a Cook county majority, which is about as close as any state evenly divided between rural and urban populations can come to fair representation.

Governor Stratton has displayed a degree of political skill in handling the legislature. But the record of his first year would be incomplete without mention of the case of Dr George Stoddard. A distinguished educator and leading member of the American delegation to Unesco, Dr Stoddard was forced to resign as president of the University of Illinois in what the *St. Louis Post-Dispatch* called a "dirty political intrigue."

Dr Stoddard was the victim of isolationist hatred of the United Nations and Unesco, of the anti-liberal spirit, of anti-intellectualism and, some suspect, of Roman Catholic hostility. The American Legionnaires accused him of appointing 50 "reds or pinks" to the faculty. The Catholic bishop of Springfield once accused him of "godlessness." The isolationists said he made the University radio station an "outlet for globalist propaganda," and fought his campaign for non-commercial television under University auspices. His critics were able to make out a better case against Dr Stoddard on the grounds that he was a poor administrator.

Governor Stratton describes himself as an innocent bystander in the whole affair, but he is a trustee of the University, and he has made it clear that he is glad that Dr Stoddard is gone. If Governor Stratton reaches the Senate, few observers in Illinois will be surprised to find him on the right wing, among the nationalists and neo-isolationists with whom he started out.

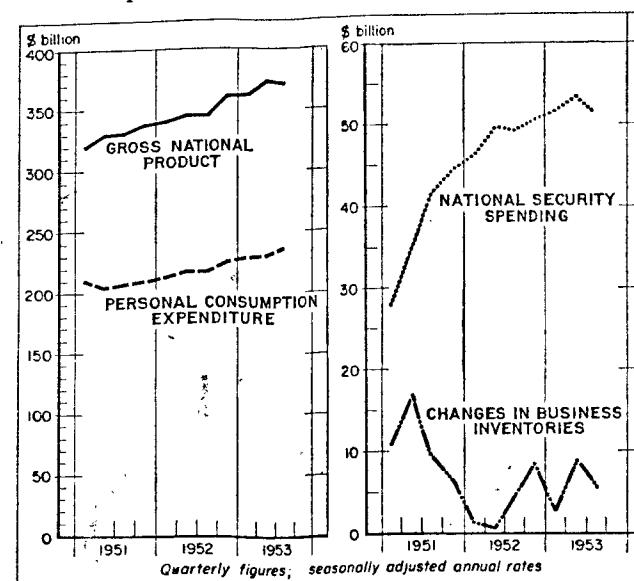
American Notes

Business Past the Peak?

FOR the first time since the recession year of 1949, there has been a slight decline in the gross national product, from a seasonally adjusted rate of \$372.4 billion in the second quarter to \$371.0 billion in the third. This is the estimate of the Council of Economic Advisers in its monthly statistical bulletin. Personal expenditures continued to climb, but not fast enough to offset completely the fall in government spending on security programmes and the drop in the rate of inventory accumulation, as is shown in the right hand chart on the following page. Other slight warning signals appeared: manufacturers' new orders, seasonally adjusted, fell in July and again in August, mainly because of cancellations of defence orders, but partly, it is suspected, through falling civilian demand. Industrial production sagged slightly in September instead of springing back with its usual autumnal briskness. Personal income slipped back slightly in August for the first time this year. The labour market is easier, due to scattered lay-offs.

These are all mere ripples, of course, on the surface of the vast bulk of American prosperity. Business activity in 1953 is higher than ever before; all the indices, with the exception of that of farm income, are more favourable than they were last year. The spokesmen of the Administration

are understandably anxious that businessmen should keep the whole picture in focus, recognise that adjustments are inevitable in a dynamic economy, and refrain from talking themselves into a depression. Nevertheless, even if no sharp downturn is in sight, the second quarter of this year may mark the peak of the postwar boom.



Assurances of government help if it is needed are regularly forthcoming; there are even some fears that the Administration in its nervousness may shoot off its ammunition too early. But consumer spending still has prizes for the businessman willing to offer more attractive products at more attractive prices. Americans are saving at the rate of \$17 billion a year, which is nearly 7 per cent of their income after taxes. And after January 1st, personal income taxes will drop by 10 per cent. If this should not be enough to take up the slack next spring, Congress will not be hard to convince that the excise taxes which the Administration would like to extend should be allowed to die on schedule in April.

Mr Durkin's Successor

WITH the appointment of a labour relations expert, Mr James Mitchell, to fill Mr Durkin's empty chair as Secretary of Labour President Eisenhower has abandoned his experiment of including a trade unionist in the Administration. The idea was never a very promising one, if only because the trade union movement is divided and Mr Durkin's motives were inevitably suspect outside the American Federation of Labour, but it broke down completely over the drafting of amendments to the Taft-Hartley Act. Under Mr Durkin the Department of Labour negotiated with the Department of Commerce and the White House rather as if it were engaging in collective bargaining with an employer. The result was that Mr Durkin's resignation took place amid a flurry of allegations and denials that the President had withdrawn from an undertaking that a draft 19-point programme, which sought to meet some of the trade union's demands, should be the Administration's final word on the subject, to be presented as such to Congress.

The new Secretary of Labour has been on leave from his post as chief personnel officer of a large department store in New York in order to handle manpower and reserve problems for the Army. Since, like Mr Durkin, he is a Roman Catholic, his appointment ensures that that faith continues to be represented in the Cabinet, while the fact that he is a businessman with experience of working for the government should make it easier for him than for a trade unionist to secure a hearing from the other businessmen in the Administration for labour's point of view.

One of Mr Mitchell's first tasks will be to choose a new Assistant Secretary in place of Mr Lloyd Mashburn, a trade unionist who was appointed by Mr Durkin and who has now followed his chief back to the trade union movement. Then he will have to devote himself in earnest to the preparation of legislation for the next session. At least he starts off with a good reputation for the handling of labour relations—his appointment was recommended by the chairman of the New York State Mediation Board, who is a supporter of Mr Dewey on the liberal wing of the Republican party, and was welcomed by Mr Reuther, the president of the Congress of Industrial Organisations. But his efforts will be judged by his ability to influence the drafting of the amendments to the Taft-Hartley Act and by his success in defending his department from further attacks on its budget of the kind which this year have severely restricted its ability to check the observance of labour conditions guaranteed by law.

Taxes in a Revolving Door

THE order to reduce all payments on account to armament manufacturers to the lowest possible level is a sign of how the Administration is having to pinch pennies to keep within the debt limit until Congress reassembles in the new year. But this is a financial flea-bite compared with the difficulty of constructing a new tax programme and persuading Congress to accept it. The Administration, which is dedicated, in principle, to balancing the budget and lowering taxes, is now faced with the unhappy realisation that any tax reliefs must be replaced by new levies, simply to avoid running a larger deficit in the fiscal year which begins next June than in the present one.

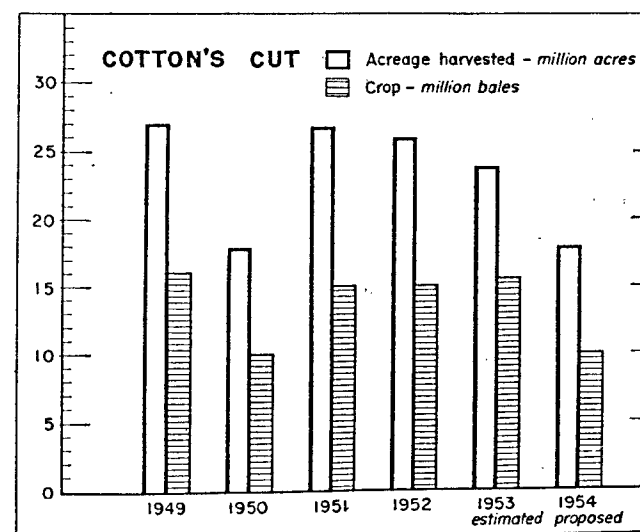
The Administration is committed to allowing the excess profits tax to die and personal income taxes to revert to their pre-Korean level on January 1st. Assuming that spending and other receipts remain the same, this would add \$3.2 billion to this year's estimated deficit of \$3.8 billion. But both Mr Reed, the stubborn chairman of the House Ways and Means Committee, and Mr Millikin, his respected opposite number in the Senate have given notice that they will not support the Administration in its request that two other automatic tax reductions scheduled to take place in April, one on corporate income and one on excises, should be postponed. They insist that expenditures should be cut instead. But even Mr Wilson, the Secretary of Defence, now says that a further \$2 billion reduction is all that his department can absorb next year unless there is a cut in the armed forces. In addition, the Administration would like to make a start, at least, on the job of bringing some order into the hodge-podge of tax laws, relieving inequities,

and some of the burdens which hamper business expansion.

It is no wonder, therefore, that the President at a recent press conference refused to shut the door on a manufacturers' excise tax, though he slammed it on a retail sales tax, which is very similar, but sounds worse and is harder to collect. The cries of outrage from both sides of the party aisle would suggest that excise taxes were something new in federal finance. In fact, the government collects \$10 billion a year from this source, about 15 per cent of all its receipts, and some tax experts believe that this proportion should be increased to give greater stability to the revenue in times of lower business activity. An excise tax is politically vulnerable, on the ground that it "soaks the poor" and 1954 is an election year. Congress may reject it out of hand. But the Treasury appears convinced that a broadening of the field from which excise taxes is collected is the only alternative to falling even further behind in the race for solvency.

Curbs for Cotton

PAINFUL adjustments will have to be made in the cotton belt unless Congress speedily comes to the rescue. Faced with probable supplies of nearly 21 million bales, over 4 million above the expected demand, Mr Benson, the Secretary of Agriculture, has cut next year's acreage allotment to 17.9 million acres, from plantings this year of 24.5 million, and proclaimed a marketing quota of 10 million bales, compared with a crop this year which the latest estimates put at 15.6 million bales.



Cotton is one of the six basic crops whose price is supported at 90 per cent of parity, the theoretical figure which, by relating the prices the farmer gets to those he pays, is supposed to represent a fair return. But this has priced American cotton out of world markets, and more and more is left on the government's hands. The cut is drastic because farmers have been taking advantage of the absence of restrictions since the Korean war began. Although they responded this year to Mr Benson's appeal for self-restraint by reducing their acreage by 9 per cent from last year, their crop is going to be 3 per cent larger, because of the good weather and the increasing use of fertiliser.

Cotton farmers will have to decide on December 15th

whether they will accept the marketing quotas, as they have always done before, and as the wheat farmers did this summer. If they do, they will be assured of continued price support at 90 per cent of parity, but there will be cash penalties for farmers who exceed their allotments. If they reject quotas, the support level falls to 50 per cent of parity.

Congress may come to the rescue after the event and raise the minimum acreage to which cotton may be cut back, as it did for wheat. Its failure to do so last summer was due to the difficulty of deciding whether the old or the new cotton states in the west should bear the brunt of restrictions. But this would leave Mr Benson much where he is today—smothered in cotton. Farm Congressmen also talk of raising the price supports on the non-basic grains, such as oats and barley, which farmers may plant on the over 20 million acres of land to be withdrawn from wheat and cotton. The Department of Agriculture would rather reduce them, to prevent surpluses from bursting out in new places. But the totally unexpected victory of a Democrat in a traditionally Republican farm constituency in Wisconsin lengthens the odds against the introduction of more flexibility into the present rigid system.

The only bright spot on Mr Benson's horizon is that he will not be forced to add maize to the other four basic crops for which quotas will be needed. The maize crop is turning out to be smaller than expected: it is estimated to total 3.2 billion bushels, or 3 per cent less than last year.

SHORTER NOTES

An order to the General Electric Company to make its 200 patents on lamp bulbs and their parts available, free of royalties, to its competitors has concluded a lengthy anti-trust suit. The court has also decreed that the company must let competitors have its designs for bulb-making machines and must end any agreements with other lamp firms on manufacture of bulbs. While the company has not decided whether it will appeal against this decision, it has reached agreement with the Department of Justice in another separate action by promising not to pool its patents or sales territories abroad with foreign competitors, and to make over 600 patents acquired under the previous cartel agreements available on a "reasonable royalty and non-exclusive basis."

★

The problem of Christmas gifts for winter sports addicts may be made easier by the appearance of electric socks. A battery at the waist furnishes current for wires woven into the socks which sell for \$19.95 a pair.

★

The second ransom kidnapping case to be investigated by the Federal Bureau of Investigation since 1938, that of Robert Greenlease, who was kidnapped and shot early this month, will be prosecuted by the government, not by courts of the State of Missouri. The "Lindbergh" kidnapping law of 1932, which allows the death penalty when the victim is not returned unharmed, also provides for intervention by the Federal Bureau of Investigation when a kidnapping victim has been transported from one state to another. In this case the child was taken from Missouri to Kansas.

The World Overseas

Japan Seeks a Policy

FROM OUR CORRESPONDENT IN TOKYO

WITH the reluctant departure for South-East Asia of Mr Katsuo Okazaki, the harassed Foreign Minister, Japan has begun a half-hearted search for a post-peace foreign policy. It is significant and appropriate that this first simulation of independent action, untrammelled by considerations of American policy, should have been undertaken only after diplomatic but impatient promptings by Washington. The Japanese government is now suffering humiliations far worse than the benevolent discipline imposed by General MacArthur: it would like to rattle the sabre, but it needs a sabre; it would like to spurn US aid, but it needs the dollars.

The once mighty Foreign Office literally wears a hangdog look; last week a visitor, speaking his most fluent Japanese, was able to direct a postwar taxi-driver to the imposing official building only after he remembered that it was opposite a popular night-club. A policy of calculated drift and opportunism has spread irresistibly from the Treasury to the Foreign Office. Until now, something has kept turning up. First there was the Korean war; then followed anticipation of Korean reconstruction windfalls, MSA aid, American off-shore buying and even the bright prospect of renewed heavy fighting in Indo-China. However, with a brave smile if a heavy heart, Mr Okazaki has now had to fly south to explore the possibilities of Filipino ratification of the San Francisco peace treaty and of bilateral peace treaties with Burma and Indonesia.

These negotiations cannot be undertaken without some sort of discussion of war reparations (theoretically aggregating more than \$20,000 million), a terrifying problem from which the Japanese have shuddered away as from a bad nightmare. It is now clear that any development of export markets and sources of raw materials in South East Asia awaits decisive attention to improved goodwill generally and reparation demands in particular. But, until Washington pressure became urgent, the Japanese hesitated, hedged and looked the other way.

Poppy-Smoke Mood

Japan wants independence without commitments, aid without strings, the ability to have her rice and eat it too. A poppy-smoke mood of unreality has drugged the nation's leaders since the shock of defeat, the hothouse convalescence of the occupation and the extravagant outpouring of aid from the US cornucopia. India's "neutralism" is a heady and glittering lure. Not that wishful thinking has com-

pletely blinded the Japanese rulers. As Asians, they have no faith in the Washington policy for Asia. Privately, they do not disguise their conviction that the British policy towards Mao Tse-tung is the only logical course. They dismiss Chiang Kai-shek as a defeated leader, without face, future or successor. They are no more pro-Communist than they ever were, but they believe that they must do business with China, whoever is in control in Peking, and somehow restore their influence in Asia. Their dilemma is to reconcile these aspirations with the implicit and explicit commitments of dollar aid.

Britain, the Japanese believe (with a sigh), has withdrawn as an influential force from Asia. Australia, still more fearful of the 1942 memory of Japan than of the 1953 threat of Asian Communism, has become the British Commonwealth spokesman in the Pacific, and has deliberately preferred America to Britain as an ally. The contending forces in the Orient are now Asian Communism and Americanism. Japan's leaders want no part of either, and would dearly like to play off one against the other; there are many industrialists who are recklessly confident that this feat is practicable.

Eyes on Britain

Nearer home, the Japanese government is enraged but helpless in the face of South Korean shooting attacks on any Japanese fishing-boats that venture inside the lapsed "MacArthur Line," up to 70 miles distant from the South Korean coast. Japan's interest in a Korean settlement is historic and paramount, but the nation must apparently watch any East-West negotiations from the sidelines. Hopes of UN membership are recognised to be so remote that a modest proposal for a form of associate status has been seriously made by Mr Okazaki.

Mr Yoshida and his advisers, harassed by charges that they are American puppets, would genuinely welcome closer and friendlier associations with Britain. They feel, however, that Lancashire antagonism represents Britain's only current interest in Japan, and Britain's dogged opposition to Japan's entrance to Gatt has genuinely shocked them by its implacability. But Sir Esler Dening, as British Ambassador, has had greater personal success in Tokyo than the former American Ambassador, Mr Robert Murphy, whose methods the very correct Foreign Office regarded, rightly or wrongly, as overbearing. (Mr John Allison, Mr Murphy's unfairly underrated successor, is adopting a

more tactful and reticent line.) Sir Esler, however, is handicapped by the absence of any positive British post-peace policy towards Japan, and also by definite Japanese resentment that he was appointed to Tokyo only after his projected appointment to Peking fell through. The Japanese are a sensitive people.

Meanwhile, the possibility of an attractive peace offensive by Russia and Communist China overhangs the Japanese scene. This possibility could become a disturbing probability if the present conservative government in Tokyo were replaced by a socialist one, wearing an Oriental Nenni kimono and eager to snatch at any promising alternative to American aid and influence—which is now so obviously loaded and is, ironically, therefore calculated to hasten that very replacement. While Mr Okazaki, with some perplexity, looks to the south for advantages, Britain might, with profit, look to the east.

France and American Aid

FRANCE is the country that most vividly illustrates the extent to which western Europe still depends on American aid. For some nations, it is true, aid has nowadays become marginal—that is, it tends merely to turn small deficits into small surpluses. But for France, among others, American assistance is crucial. Its extreme reliance is partly the result of heavy military expenditure both at home and in Indo-China; but partly, too, it reflects the truth of the recent statement by M. Marjolin, Secretary-General of the Organisation for European Economic Co-operation, that France is the "black spot" of the European economy and therefore holds the key to further progress toward freeing intra-European trade. Moreover, its malaise makes nonsense of any claims that western Europe is ready to stride into convertibility, for to leave France behind in any such undertaking would be politically unthinkable.

There are two obvious ways of assessing the importance of American aid to the French economy. One is to see what contribution it makes to the deficit in the French balance of payments, and the other is to examine how it helps to support the national budget. France gets some US funds which are specifically earmarked to finance certain budgetary expenditure, thus taking a load off the French taxpayer, or, alternatively, reducing the borrowing needs of the French Treasury. The French government's need for revenue is so urgent, and at the same time the sources are so limited, that American aid directly bolsters the French budgetary position far more than in most other countries receiving American help. An analysis of this kind can, of course, give only a rough picture, because much of America's military aid to France is concealed from the public for security reasons and because of technical difficulties: the French budget is based on the calendar year, while American aid is allocated on the basis of a fiscal year from July to June.

A Vital Drop

During the year ending June, 1953, the French balance of payments deficit is estimated at \$542 million. This figure reflects the true position, however, only if the \$230 million derived from US military expenditure in France is regarded

as receipts on current account. If it were counted instead as American aid, then the French deficit would rise by \$230 million to a total of \$772 million.

France has also received from the United States, by way of the Mutual Security Programme, \$460.5 million. When this sum is added to US military expenditure, the grand

TABLE I—FRENCH ESTIMATED BALANCE OF PAYMENTS
(millions of dollars—current prices)

	In gold and dollars	
	Year ending June, 1953	Year ending June, 1954
1. Imports (f.o.b.).....	475.0	541.0
2. Exports (f.o.b.).....	265.0	265.0
3. Receipts from US military expenditure.....	230.0	330.0
4. Payments for services.....	255.0	240.0
5. Receipts for services (excl. US military).....	145.0	155.0
6. Net balance for services.....	-110.0	-85.0
7. Net balance of assoc. monetary areas.....	-150.0	-120.0
8. Net settlements.....	-365.0	-240.0
9. Net capital operations.....	+ 63.0	- 21.0
10. Balance before MSP receipts (2+3+6+7+8+9-1).....	-542.0	-412.0
11. Mutual Security Programme receipts.....	460.5	1,132.4
12. Extraordinary US payments (3+11).....	690.5	1,462.4

TABLE II—MUTUAL SECURITY PROGRAMME RECEIPTS
(millions of dollars—current prices)

	In gold and dollars	
	Year ending June, 1953	Year ending June, 1954
1. Offshore procurement (Lisbon type).....	158.5	202.1
2. Offshore procurement (other).....	20.5	120.6
3. Mutual Defence financing.....	397.5	885.0
Of which:—		
(a) Help for EPU deficit.....	60.0	...
(b) French Nato military production.....	...	100.0
4. Use of pipeline* (+ = use; — = accumulation).....	-116.0	- 75.3
5. Total MSP receipts.....	460.5	1,132.4

* Money allocated but not yet spent.

total of "extraordinary US payments" to France reached, in the year ending last June, the sum of \$690 million. Next year the United States intends to double this amount, so that aid to France, over and above direct shipments of arms, will reach the huge total of \$1.46 billion.

More light is shed on the nature and budgetary significance of all this assistance by the estimates in Table II. Of the items shown in this table, the two most important are offshore procurement under the "Lisbon" agreement, and mutual defence financing. In the year that ended last June they totalled between them \$556 million, and a good part of this money helped the French Treasury to balance accounts. Together they provided the Treasury with about two per cent of its total revenue and relieved it of the need to finance

another two per cent—a drop in the bucket, perhaps, but a vital drop.

A word of explanation is required about how, precisely, this happens. Offshore procurement (overseas purchases by the Americans of arms for free distribution among the Nato allies) is, where France is concerned, of two kinds. First there are the purchases agreed at the Nato Lisbon conference nearly two years ago. These were goods whose production was originally financed by the French Government only on the understanding that it would be reimbursed by the United States. For this expenditure to be taken over by the Americans, therefore, is a considerable saving to the French taxpayer. "Other" offshore purchases are those which the French armament industry has been able to sell to the US Services more or less on a competitive basis; the contribution of the latter to the French economy is confined to the dollars they provide towards the balance of payments deficit.

Counterpart for Navarre

Mutual defence financing is still another item. It represents the value of goods provided by the American government under its Mutual Defence Programme—goods such as cotton and machinery. These commodities are given free, but the recipient is called upon to establish in a special fund its counterpart in the local currency—hence the term "counterpart funds." In the year ending June, 1953, France was allowed to spend \$166 million of this fund on capital investment in French public utilities and industrial expansion—an expenditure which appears in the investment section of the French budget. Another \$60 million of these counterpart funds went to help finance the war in Indo-China.

In the following year—the one ending June, 1954—such counterpart funds will provide \$785 for the Indo-China war alone. This figure includes the \$385 million which the United States has recently agreed to provide for the build-up of forces in Indo-China called for by the Navarre plan. Altogether, American aid will be meeting two-thirds of all France's expenditure on the Indo-China war, or over one quarter of its total military expenditure.

None of these figures takes account of the very substantial amount of American help that is flowing into France in the form of "end item" aid—that is, gifts of American military equipment to the French forces. In the year that ended last June, such gifts to Nato Europe as a whole reached \$3 billion. The detailed composition of this total is not divulged, but at a reasonable estimate probably at least one-third went to France.

The "Bevaniste" Error

It is facts such as these which suggest that the French neutralists and their "Bevaniste" supporters are somewhat superficial in their economic thinking. France's rearmament programme and its contribution to western security undoubtedly weigh heavily on the economy, but Washington has helped to lighten that burden, and in ways which hold down French taxes, broaden the French production base and help to balance the French trade deficit. Without its rearmament programme and the war in Indo-China, and therefore without American aid, France's economic problems might well be greater. Certainly its military status and its voice in international affairs would be negligible.

When is a Dependency Not?

FROM OUR UNITED NATIONS CORRESPONDENT

A REPORTER watching the Fourth Committee of the United Nations Assembly lose itself in procedural smog last week was humming the tag line from an American bar room ballad, "But who put the overalls in Mrs Murphy's chowder?" The fact is that the overalls, in the shape of a pervasive anti-colonialism, have been there ever since the UN chowder was concocted. Sometimes they simmer quietly at the bottom of the pot; sometimes steam forms under them and sends them ballooning to the top, as awkward as they are unfragrant.

The current extrusion was not anticipated. Anti-colonialism usually boils to the surface on the simpler issues, and this year it was supposed to lie quiescent until something obvious, such as South-West Africa, was reached. Instead, and for reasons which may be not unconnected with events in British Guiana, it overflowed in a confusion so complete that even the intrepid Guatemalan delegate was caught in his own swirls.

The trouble arises from the old business of trying to push colonial powers into ceding more than they meant to grant when they signed the UN charter. Since 1946, when eight of the more co-operative member nations sent in lists of their dependencies (totalling 74) and began to transmit information about them to the Secretary-General, there has been a steady effort to widen the area of UN authority in this field. Chapter XI of the Charter, originally a benevolent expression of good intentions towards dependent territories, has become a cat-o-nine-tails to be wielded over the backs of the eight powers (Australia, Belgium, Britain, Denmark, France, Netherlands, New Zealand, United States) which admit that they administer such territories. Others which have similar responsibilities, but do not admit it to Uno, may some day find their zeal in flogging turned against them, but thus far they are not impressed by such argument. There is no sign that Latin American countries intend to report on their non-voting Indians, or Asian governments on their neglected tribesmen, or Soviet administrators on their suppressed Asian nationalities.

Ten Words for One

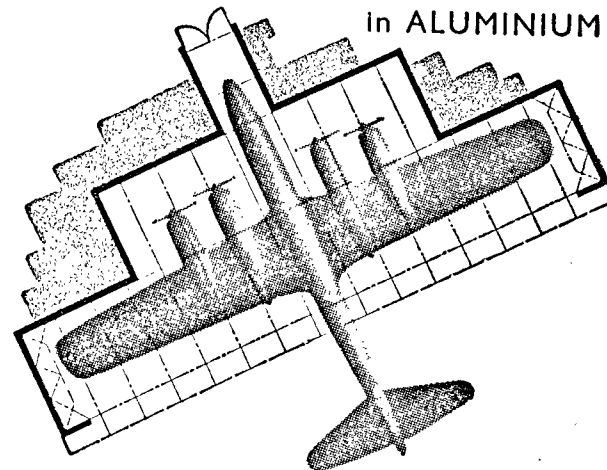
On the contrary, the roll of administrators and administered is shrinking, and this too is cause for complaint. So useful a weapon has anti-colonialism become that its manipulators resent that very progress into self-government which they pretend to promote. Charges have been made before the Fourth Committee that the new independence of Puerto Rico is a sham, and this year the Netherlands must defend its proposal to stop telling Uno about the Dutch Antilles and Surinam because they are no longer "non-self-governing" within the meaning of the Charter.

It is the problem of defining such progress that brought about last week's confusion. Neither the Trusteeship Council nor the Fourth Committee has ever been able to define self-government, but they have laboured mightily to list the "Factors which should be taken into account in deciding whether a territory is or is not a territory whose people have not yet attained a full measure of self-government." The negatives in that phrase tell their own story of struggle and compromise, and the last ten words

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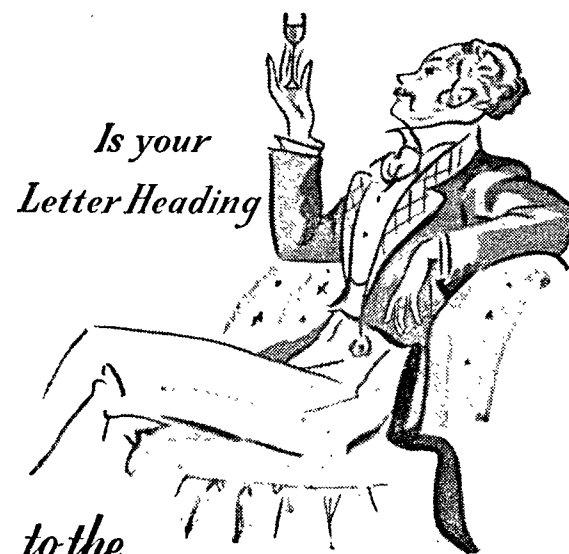
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should be joined by hyphens to denote an entity for which there is as yet no shorter expression than the rejected word "colony."

For more than three years a succession of committees has tried to formulate these factors. The most recent one finished its work at the end of July, and the list it approved was handed to the Fourth Committee. "Factors" had been divided into three groups, those "indicative of the attainment of independence or of other separate systems of self-government," those "indicative of the attainment of other systems of self-government in continuing association with the metropolitan country or in other forms," and those "indicative of the free association of a territory with the metropolitan or other country as an integral part of that country." Independence, for example, was to include a showing of international responsibility, eligibility for membership in Uno, freedom to arrange one's own national defence, and complete autonomy in economic, social and cultural matters. The other two classifications were spelt out with similar care.

Until last week it was assumed that the Fourth Committee's discussion of so earnest a draft would at least be reasonable. Then it began to be rumoured that the Latin Americans did not see eye to eye with the Arab nations, or even with themselves. The matter came into the open with the introduction of a Brazilian resolution which approved the report of the "Factors" Committee and recommended that it be "taken by the Administering Members and the General Assembly as a guide." The administering powers boggled at that, and both Britain and the United States stated flatly that the decision in the case of their territories was their own, and they would not share it with the United Nations.

Farce and Factors

But the real harm was done before they spoke. Eleven anti-colonial nations (Bolivia, Egypt, Guatemala, Indonesia, Iraq, Mexico, Saudi Arabia, Syria, Venezuela, Yemen and Yugoslavia) had gone to work on the Brazilian resolution and the factor list. In a few hours they whipped up a list of amendments which should properly have thrown the whole project back into the hands of a drafting sub-committee. Instead, and with the aid of an ineffable chairman open to the pleas of every delegate who raised a hand, the Fourth Committee was finally led to accept the amended list. After two days of contradiction and confusion, the proceedings became so farcical that even some of the nations which most delight in wielding the anti-colonial whip were abashed; the final vote was 27 to 23, with Brazil and the Soviet Union among those who voted on the losing side with Britain and the United States.

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.

The matter will go before the full Assembly, unless more sober minds can muster the two-thirds majority needed to revoke the whole procedure. British and American delegates have given warning that they do not intend to abide by the amended resolution, a warning which, however justified, is regrettable in that it encourages revolt in other quarters. Absurd as much of the language in this sector has become, it is still reasonable that, as long as Chapter XI stays in the Charter, some means should be found to judge whether progress towards independence is really taking place.

Too Late to Kill Germs

"TO get there fustest with the mostest" is a principle that can be applied to political warfare too; the essential thing is to be first in the field with a detailed and plausible story, and to repeat it incessantly. With a sufficient volume of assertion, an impression will be made which for great numbers of minds will be permanent. After that, it does not matter if subsequent disclosures show the whole story to be a fake; few people will be interested in the fresh evidence, which bears only on something which is no longer news.

This principle cannot be better illustrated than by the Communist world's accusations against the United States of waging bacterial warfare in Korea. The campaign to convince the world of the truth of these charges was without precedent for sustained intensity. It claimed decisive confirmation of the story from confessions made by five captured American airmen, which were written and signed, recorded for broadcasting, and repeated before international commissions created by the Communists to "investigate." Since the release of prisoners of war in Korea the airmen have returned to America, and have publicly repudiated their confessions and told how they were induced to make them. But for purposes of counter-propaganda their repudiations have come too late. Germ warfare is no longer news, as has been demonstrated by the very slight notice which the British press has taken of the pilots' statements.

"The World Would Be No Wiser"

The statements are nevertheless of great interest, both in their bearing on the charges and in the light they shed on the techniques used by Communist states for extracting concocted confessions. The accounts given by the five officers are broadly similar. All were agreed that, before being captured, they had never heard anything about bacterial weapons being used, except for reports that Communist propaganda was alleging it. When they had fallen into Communist hands, the subject was not broached immediately, but was only introduced after long interrogation on other matters and after solitary confinement and increasing severity of living conditions had had time to reduce the prisoners' morale. Thus Colonel Schwable, the most senior of the officers concerned, stated:

Until early September, two months after my capture, the subject (of germ warfare) had hardly been mentioned. . . . Early in September I was moved from the tent in which I had lived into a little stick-and-mud lean-to on the outside of a Korean house that was located at the head of a very remote little valley . . . a place where one could

readily be dispensed with and the world would be none the wiser. Here, as I squatted cross-legged on the floor of my 3-by-7-foot hovel for weeks and weeks as fall passed into early but cold winter, I was told that I had only one more problem to clear before I was turned over to a main camp where suitable facilities were available against the rigours of a North Korean winter and where I would be with other prisoners of war.

The one remaining "problem to be cleared" turned out, of course, to be germ warfare, in which it was demanded that the colonel should confess to having participated on instructions from the higher command. Describing the pressure put upon him, Colonel Schwable goes on:

It is a cruelty that is hard for anyone to understand who has not undergone the misfortune of being subjected to it. . . . I was under the constant surveillance of a guard who was never more than perhaps ten yards away, and who at night would awaken me at least hourly by shining his flashlight in my eyes until I woke up. . . . I could lie down only when told, and was kept just sitting and sitting for weeks on end, the result of which was that my back became strained to a point where it was impossible for me to sit still more than fifteen minutes at a time. This became physical torture to me and it was continuous. . . . I deteriorated physically and became dull of mind. . . . Some knuckles on my right hand had already become frostbitten. . . . I was convinced that at my age and in my condition I would freeze to death in that exposed little hovel during the winter. The final threat was direct, forceful and unmistakable. The colonel commanding the pick-up camp informed me that "unless you clear this problem, you will never leave this valley, not even after the peace is signed."

Confession by Cramp

Finally Colonel Schwable capitulated, and he then had to compose his confession, using his own words but incorporating material which his interrogators provided, particularly with regard to dates and places of alleged acts of bacterial warfare. He had to implicate by name all the personalities in the chain of command, from the Joint Chiefs of Staff down to his own unit, as the interrogators said that the directive must have followed this chain of command. He had to revise the confession several times before it satisfied his examiners, and then write out the final version in his own hand-writing "on smooth, heavy legal type paper, and to initial each page and all corrections." He also had to make a wire recording and be photographed while reading the statement.

Physical torture was traditionally employed in the old Chinese judicial system to obtain confessions in criminal trials, but the methods used by the Chinese Communists in getting the germ warfare confessions did not consist primarily of bodily violence—though Major Bley testified that he was repeatedly struck in the face while his hands were tied behind his back. The main factors were cold, were tied behind his back. The main factors were cold, cramp, and lack of sleep, resulting from the form of confinement imposed, and helping to produce gradual exhaustion and collapse, accompanied by endless interrogation with arguments, promises and threats. This predominantly "psychological" type of compulsion, in contrast to the old-fashioned kind of judicial torture, is the characteristic Soviet procedure for prisoners who are to be produced in public, and the Chinese have evidently taken it over from their Russian mentors along with Marxist-Leninist doctrine and Soviet techniques of economic planning.

Tito in Search of Super-Men

FROM A SPECIAL CORRESPONDENT

THE Yugoslav Communist Party—or Union of Communists as it is now called—has run into difficulties in interpreting the role of the Communist in the new liberal society of "socialist democracy." At the sixth party congress last November, Yugoslav Communists were told that they must cease to be bosses in privileged positions, imposing their will from above. They must henceforth take their place in government and society only if accepted and chosen by the mass of the electorate; they must win support by outstanding achievement and efficiency, and above all they must educate people to be good socialists.

This new role proved very difficult to carry out. Over centuries of alien occupation the Yugoslav peoples have developed a constitutional resistance to political education and propaganda. Between 1945 and 1951 Communists had absolute power, backed by the apparatus of a police state, and it left them with little experience of educating their fellow men. The new theory of power through education had to be tried out in the atmosphere of Marshal Tito's new liberalism, surrounded by all sorts of non-Communist influences—the insidious lure of British and American newspapers and periodicals easily available in reading rooms in the big towns, and the renewed activities of the churches now able to parade their doctrines and political beliefs more actively. For the first time since 1945 the Communists were up against something like opposition, and it is small wonder that many of them failed to measure up to what was expected of them.

It was in the light of these experiences that Marshal Tito called a conference of high officials of the Union of Communists at Brioni last June. After the conference a letter was sent round to all Communist organisations which described at length shortcomings in the party and called for immediate improvement. It described many "weaknesses" in the party—a slackening of discipline; the loss of a "militant approach" to Communist objectives; the acceptance of alien foreign influences and bourgeois theories; the preoccupation of certain leaders with specialist economic problems to the exclusion of political work; the pursuit of local objectives in the republics without regard to the overriding importance of federal objectives.

Stalinists and Pilates

Criticism was aimed at both right and left wing backsliders. On the left there were those who continued to work in the old Stalinist manner, giving bureaucratic orders and allowing no play for democracy. On the right there were those whose subjection to anti-Marxist alien foreign influences and petty-bourgeois inspiration had reached "alarming proportions." And in between these two extremes there were those who, having failed to understand the decisions of the sixth congress, had washed their hands of active party work. In fact the impression left by the letter is that very few can have achieved what was expected of them.

The final section of the letter contained instructions on how these weaknesses were to be overcome. Further work was necessary inside the Union of Communists to develop "ideological-political unity" and to eradicate from Com-

munist heads "the remnants of old bourgeois theories"; Communists must also develop their "fighting political reflex" against "phenomena which damage our system"; they must train themselves to react quickly "not in an administrative manner nor with general political slogans"; nor must they approach political, social and economic problems in a narrow, specialist or pragmatic way. Finally, Communists were urged to work through the SAWPY—the Socialist Alliance of Working People of Yugoslavia—and, above all, to root out weaknesses in their own ranks.

The letter confirmed what was already becoming obvious to all observers—that there had been considerable confusion and dissatisfaction in the party in the past six months. The new role of educator was much more difficult than that of party boss, and many Communists did not know what was expected of them; moreover, with freely elected local government, there was no guarantee that Communists would retain their positions of influence. The reversal of policy about collectives, which resulted in two-thirds of all co-operative farms being broken up, came as a great shock to some Communist ideologists and an even greater shock to those party members who had had soft jobs as co-operative officials.

Threat from Top Hats

There was also the vexed problem of Yugoslavia's foreign policy, which troubled some of the left-wing theorists. Marshal Tito's visit to London, hobnobbing with royalty and top-hats in a most bourgeois-capitalist way, was considered by some as a sign that Yugoslavia was abandoning its independence and leaning more and more to the West. Hence the pointed reference in the Brioni letter to "hostile interpretations of our foreign policy" and its insistence that the basic principle of this policy, the "principle of independence," had not been understood.

In short, dissatisfaction was strong amongst both rigid ideologists and time-servers. The latter are now being got rid of—not by a purge, but by a steady process of weeding

out the weaker brethren. The former, providing they are not Cominformists, as most of them at present are not, must be appeased, and appeasement means some sort of gesture to the political left wing at the expense of the economic realists. But aside from these, many of the party members seem to be not so much dissatisfied as bewildered and in need of a positive guide on beliefs and behaviour under the new Communism.

This is difficult to provide, and does not seem to be contained in the Brioni letter, which on the whole contented itself with plenty of negative advice. With the exception of Kardelj and Pijade, who are too busy on other jobs, and Djilas, whose writings are incomprehensible to the ordinary human being (for whom he states he does not write), the party has no outstanding philosophers or theorists. Yet a clarification of ideas is essential; for the party is faced with a basic conflict now that the principle of compulsion has been abandoned. The party must be kept in power, yet according to the new beliefs it must not use force to achieve this. Its weapons must be precept, example and education—of which it has a virtual monopoly. The optimistic belief that these will be effective is based on what is likely to prove a misconception that Communist aims for Yugoslavia, being both good and right, will, if properly explained, be accepted by the majority of the people. In practice Yugoslav Communists may find that people if given a free choice do not necessarily accept the good even when they see it. The theory also makes other great demands on human nature; rapid economic development such as is now being attempted—and has partially been achieved—in Yugoslavia, demands austerity and sacrifices from the workers. In the past these sacrifices have been imposed from above; now they are to be made by the people themselves on the persuasion of the Communists.

Not Even Socrates

In short the Communists are now expected to be a caste of super-men, recognised and accepted as such by the people, who will elect them to positions of power and trust because of their shining virtues. It is a beatific vision which even Socrates did not dare to postulate. Yet in the meantime there is little doubt that Communists—whether they mend their ways or not—will be elected in large numbers at the general election in November. They still have great advantages; the aura of past authority has not yet worn away; they have the monopoly of newspapers and radio for propaganda purposes; they have an outstanding leader in Marshal Tito; they have undoubted achievements to their credit in the past eight years; and they have no organised opposition.

But at some stage in the future Yugoslav Communists will have to produce a more positive political philosophy and resolve some of the conflicts in their present position. Without it they will find it difficult to retain their position of dominance in a relatively free society such as Yugoslavia today aspires to be. Without it, too, they will not be able to give to other Communist countries the successful example of true Communism which in their view the Soviet Union has failed to provide.

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Correction: In the article "Grievances of Italian Workers," which appeared on October 3rd, the proportion of total living accommodation in Italy that is vacant for want of a tenant with the necessary means should have been given as 6 per cent.



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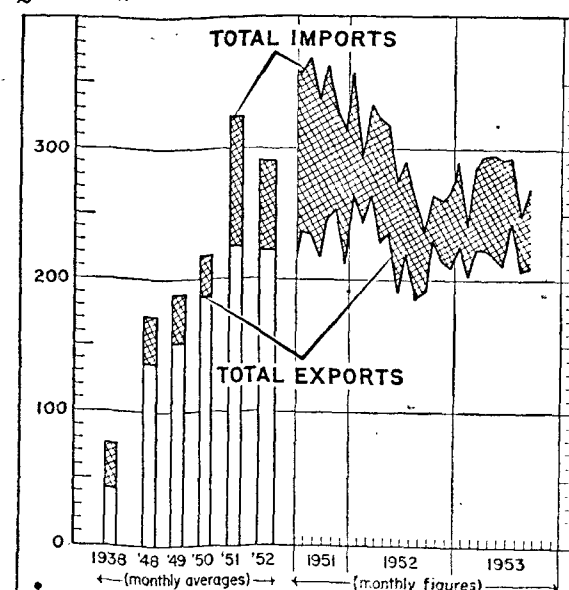
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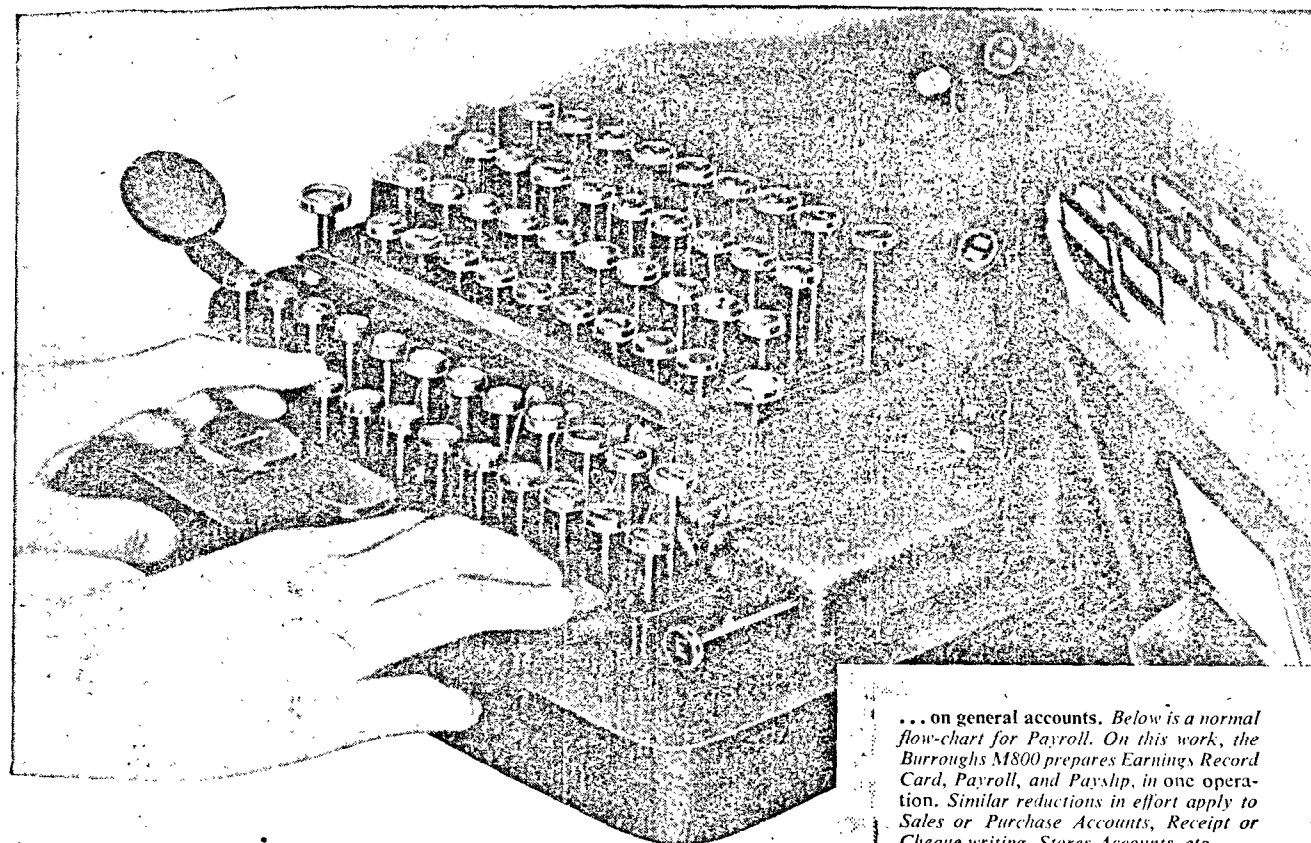
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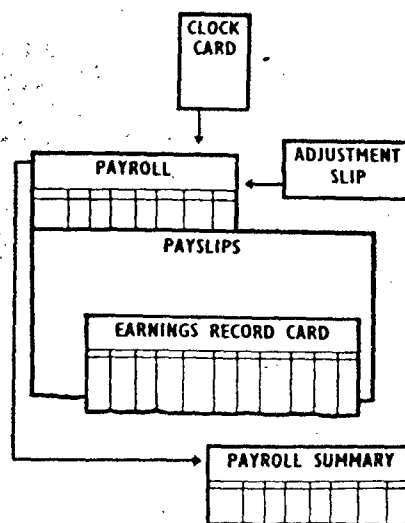
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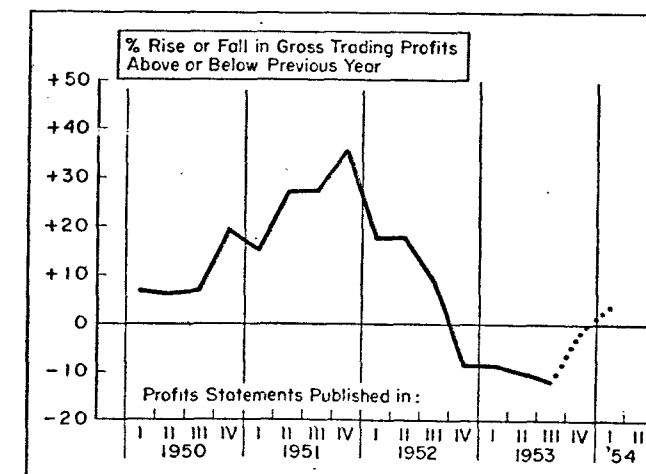
THE BUSINESS WORLD

Profits before the Upturn

BETWEEN the beginning of July and the end of September the reports of 576 public companies ere received in this office; they showed an average 11 in trading profits of nearly 12 per cent below those the previous year, another step down the ladder compared with the average fall of just over 10 per cent own in the 941 company reports received between pril and June, and the average fall of about 8½ per nt shown in the 503 company reports (excluding those nationalised steel concerns) received between January d March. It is probable, however, that this is the end the downward progression. Most of the company ports received between now and the end of 1953 are ely to continue to show some drop in profits, but the erage fall should be less than the 12 per cent revealed it quarter; by the turn of the year the period of cline should be just about over, and in the early onths of next year published profits should be rising rly consistently.

This forecast of better things to come is arrived at t by staring at the stars but by studying the statistics. e 576 reports received last quarter referred, for the st part, to a trading year that ended as long ago as t spring; in fact, of the 450 industrial companies in : sample, 241 had accounting dates in March (with arch 31st the favourite date), 85 actually had account- ; dates before March and only 124 had accounting tes since then. A financial year to March 31st last uld have started three weeks after the Australian port restrictions punctured Britain's post-Korean om, and would have ended two weeks before Mr tler's stimulus budget of 1953 touched off the current surge of reflation; it therefore embraced the twelve- nth period of deepest decline in industrial produc- n, as measured by a fall of over 3 per cent in the cial index. It also embraced a period when whole-

sale prices fell by 1½ per cent, after having risen by 6 per cent in the year to March 31, 1952; if it is assumed that the artificial element of stock appreciation or depreciation in published profits can be assessed by applying the percentage changes in the wholesale price index to the published figures of stocks—an improper assumption if one is pretending to be accurate, but



NOTE: The bold line in this chart shows the average increases or falls in trading profits reported in each quarter since the beginning of 1950. The dotted line shows the approximate trend that might be shown in reports published in the next six months, on the assumption that the movements that have already taken place in wholesale prices and industrial production between March and September, 1953, have the same effect on reports published between now and next March as previous movements in these two indices appear to have had on reports published between last June and last September.

excusable if one is only discussing broad trends—then this turn-round in wholesale prices can be shown with glib tidiness to have accounted for almost exactly the whole of the 12 per cent fall in profits in the 576 company statements published last quarter.

There is, inevitably, a temptation to carry this sort of arithmetic further; and the temptation is yielded to—with due warning—in the accompanying chart. The calculation that has conceived the tentative dotted line in that chart is that if the companies in last quarter's sample had had a mean accounting date around June 30th, instead of around March 31st, their reports would have covered a twelve-month period when industrial production was approximately the same as a year before, instead of more than 3 per cent lower; and (on the assumptions set down in the last paragraph) when the ending of stock appreciation was cutting profits back by only about 2 per cent, instead of by about 12 per cent. Similarly, if these companies had had a mean accounting date around September 30th, their statements would have embraced a period when industrial production actually rose by around 3 per cent (assuming that the index for September itself shows no significant setback) and when the element of stock appreciation was neutral. These accounting dates—June 30th and September 30th respectively—should be the approximate mean for reports appearing in the next two quarters.

It should be added that if—it is a big if—production and prices should stabilise at their present level, the tale of rising published profits should continue (though with a slower upward gradient) until it reaches a peak in reports for the year to March 31st next; for not until these returns begin to appear—from nine to twelve months hence—will companies be able to compare results for a period that fell wholly after the last budget with those for a period that fell wholly before it.

But these are flights of fancy, and analysis must now return to the existing bathysphere. The point that has been emphasised above is that the 576 returns published last quarter probably do represent a bathysphere, plumb-

ing the lowest depths of the fall in profits that is likely to be recorded for some time; for even if a world recession should suddenly develop tomorrow, it would have no effect on most of the company reports published in the next six months (most of which will refer to trading years that have already—though recently—ended). The question must now be asked whether the descent that has already been recorded has left British industry in a debilitated state, where it will be unable to be more generous in dividend policy during the period of recovery that has already taken place but still falls due to be recorded—and where it will be very badly placed to absorb any new downturn in world trading conditions.

The answer can be moderately cheering. The 12 per cent fall in gross trading profits recorded last quarter amounted, in round figures, to a fall of just under £31 million for the 576 companies in the sample. This, however, was comfortably cushioned by a fall of nearly £24 million in income and profits tax, a rise of over £4 million in income from investments and non-recurring credits, and a fall of nearly £5 million in the item "contingencies, provisions, etc." (which shows that industry is less scared about stock losses now than a year ago). After reducing retentions of profits by subsidiaries by just over £3 million, reducing allocations to revenue reserves by less than £2 million, and making marginal changes elsewhere, these companies were therefore able to increase their carry forward by over £5 million and their ordinary dividend payments by nearly £2 million (or around 7 per cent). If this is a bathysphere, most investors will not be too afraid of another submersion in it.

A similar robustness is shown in the composite balance sheet. A year ago the balance sheets of companies reporting between July and September (there were 564 of them, against this year's 576) showed an

alarming rise in stocks. It amounted to £91 million (or 24 per cent), partly because of price inflation and partly because of the accumulation of inventories of both raw materials and of unsold goods; by contrast, in reports published in the same quarter of this year stocks were shown to have fallen by £7 million or 1½ per cent—in other words, they have been as near to stability as makes no matter. Net fixed assets are shown to have risen by about £40 million in both years, and in both this has been accompanied by an increase of just under £20 million each in capital reserves and ordinary capital outstanding; these figures, of course, are affected by differing accounting practices about depreciation, scrip issues and the like, but they cannot be read as showing any signs of strain. Net new borrowing on debentures (at nearly £14 million) has been some £9 million higher in 1952-53 than in 1951-52, but the turn-round in stocks has led to a dramatic improvement in the companies' liquidity. A year ago, reports published by companies in the third quarter showed that their short-term debts—including those to the banks and the tax collector—had risen by some £49 million more than the short-term debts owed to them; this year, thanks to the turn-round of £98 million in their stock commitments, their net debtor position has improved by some £44 million instead, and their holdings of cash and marketable securities have risen by over £8½ million (against a fall of £4½ million last year). The resources for a further increase in dividend payments in the next six months are there—provided that the expected recovery in published profits does not take place against a background of falling current profits and world slump.

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The differing experience as between industries in last quarter's sample is shown in the detailed analysis in the statistical section on pages 210 and 211 of this issue. The figures show that profits rose, against the general trend, in eight of the twenty-three groups—broadly, they were either capital goods industries or else consumer goods industries that started their recession before March, 1952, and their recovery before March, 1953; the increases concerned were shown in wool very markedly), clothing and footwear, food and confectionery, shops and stores, engineering, shipbuilding, motors, cycles and aircraft, and oil. All other groups showed falls in profits, with certain consumer goods industries, led by silk and rayon, especially hard hit. Similarly, only ten of the twenty-three groups showed rises in stocks, and six of them (wool, food and confectionery, engineering, shipbuilding, motors, cycles and aircraft, and oil) were among those that also showed increases in profits; the other four were iron and steel, electrical manufacturing, tea and the residual "other companies." In some of these groups the sample of reporting companies was too small to bear the weight of ponderous analysis; but, as a general rule, it will not be surprising if those groups that have already recorded

some measure of recovery (or have never shown any significant downturn) prove to have least scope for increases in profits in the months ahead.

The picture that emerges, therefore, is that the 2,656 profits statements that have been published in the last twelve months have shown the progressive stages by which Mr Butler's disinflationary monetary policy of 1952 started to march profits down to the bottom of the hill; and that the 1,000-odd statements to be expected in the next six months may show the progressive stages by which his reflationary budget policy of 1953 has already marched them back again. The prospect is probably not as rosy as this summary may imply for the capital goods industries, which cannot show a substantial recovery in profits because they have not yet shown a substantial fall; and it may also be blurred for some of the big international trading organisations, since com-

PROFITS AND EARNINGS OF SELECTED INDUSTRIES (£'000)

	576 Companies			
	Total Income		Earnings for Ordinary Capital*	
	Previous Year	Latest Year	Previous Year	Latest Year
Consumption Trades:—				
Breweries.....	31,285	24,313	8,323	7,184
Clothing and footwear.....	3,072	3,560	528	800
Entertainment.....	11,533	12,708	1,855	2,096
Food and confectionery.....	20,261	21,719	4,664	6,397
Hotels and restaurants.....	903	955	150	101
Shops and stores.....	13,428	14,780	3,580	3,887
Tobacco.....	217	188	75	69
Total.....	81,059	78,223	19,175	20,534
Capital Industries:—				
Building.....	15,242	14,169	2,706	3,198
Engineering.....	23,066	23,081	6,401	6,252
Iron and steel.....	4,743	3,541	841	813
Shipbuilding.....	2,418	3,046	600	899
Total.....	45,474	43,837	10,548	11,162
General Industries:—				
Chemicals and paint.....	4,016	2,928	891	637
Electrical manufacturing.....	16,274	17,578	2,863	4,214
Motors, cycles and aircraft.....	6,353	6,269	1,467	1,096
Newspapers, paper and printing.....	11,102	9,575	2,564	2,241
Miscellaneous manufacturing.....	42,615	36,898	11,332	9,721
Total.....	80,360	73,248	19,217	17,909
Textiles:—				
Cotton.....	2,061	3,247	344	1,114
Silk and rayon.....	25,284	15,437	4,041	2,946
Wool.....	3,439	6,745	859	1,505
Other textiles.....	1,284	1,100	188	232
Total.....	32,968	26,529	5,432	5,797
Total, All Groups.....	290,590	264,188	67,223	66,542

* Includes amounts retained by subsidiaries, attributable to parent company.

PROFITS, PROVISIONS AND DEPRECIATION (£'000)

	Reports Published July to Sept., 1953		Reports Published Oct., 1952, to Sept., 1953	
	576 Companies		2,656 Companies	
	Previous Year	Latest Year	Previous Year	Latest Year
Gross trading profit.....	258,701	228,000	1,636,088	1,500,045
Income from investments.....	19,623	20,005	96,234	98,166
Other current revenue.....	405	394	5,637	6,500
Non-recurring credits.....	11,861	15,789	45,302	70,269
Total Income.....	290,590	264,188	1,783,268	1,674,980
Repairs and maintenance.....	898	671	9,638	9,335
Depreciation.....	33,259	35,558	233,096	243,489
Income tax (excl. Profits tax).....	93,412	88,153	567,234	589,510
Profits tax.....	40,648	22,319	214,103	135,281
Directors' emoluments.....	9,770	9,725	48,722	48,349
Administrative charges, etc.....	4,773	5,002	35,068	39,889
Contingencies, provisions, etc.....	22,670	17,711	147,511	99,095
Pensions.....	3,317	3,515	24,376	22,197
Minority share in profits.....	4,388	3,950	19,507	18,144
Profits retained by subsidiaries.....	20,165	17,122	117,894	102,298
Debenture interest.....	5,054	5,670	28,958	32,566
Preference dividends.....	5,268	5,372	33,300	33,466
Ordinary dividends.....	26,153	28,077	154,413	167,032
Revenue reserves.....	18,135	16,224	126,228	113,468
Brought in (parent company).....	45,194	47,664	248,778	272,098
Carried forward (parent company).....	47,664	52,783	272,098	292,998

ANALYSIS OF BALANCE SHEETS (£'000)

	576 Companies		576 Companies	
	Previous Year	Latest Year	Previous Year	Latest Year
	Previous Year	Latest Year	Previous Year	Latest Year
Capital (Parent Companies):—				
Debenture.....	134,641	148,424	792,897	853,891
Preference.....	171,166	171,352	219,062	237,995
Ordinary.....	325,347	345,169	573,835	615,896
Reserves and surplus:—				
Capital reserves.....	173,549	191,877	96,285	103,288
Revenue res. and carry forward.....	384,341	427,405	56,694	55,393
Total Capital, Reserves and Surplus.....	1,189,044	1,284,227		
Outside interests in subsidiaries.....	72,992	73,334		
Current Liabilities and provisions:—				
Bank loans.....	73,094	61,208	486,019	479,016
Creditors, &c.....	404,885	384,622	322,346	338,522
Future taxation.....	84,598	88,092	46,954	40,258
Other provs.....	22,611	21,267	99,417	102,493
Total.....	585,188	555,189	1,120,410	1,138,168
Total.....	1,847,224	1,912,750	1,847,224	1,912,750

Too Much Consumption?

THE retail slump is over; and some people might say this suggests that balance of payments troubles are about to begin. The disappointing news given by Mr Butler at the Bankers' Dinner on Wednesday night that Britain's balance of payments surplus in the first half of 1953 was only £25 million—excluding £55 million of American defence aid—has inevitably re-awakened the controversy whether the tax reductions accorded in the last budget were too generous, at any rate those that went to the consumer. In the first half of this year, the Central Statistical Office has estimated, real personal consumption (at current 1948 prices) was running at an annual rate that was some £340 million, or about 4 per cent, higher than in the first half of 1952; and in the second quarter of this year (that is, the first post-budget quarter) it was at an annual rate nearly £450 million, or 5½ per cent, higher. Even although the rise in production this year may have added £400 or £500 million to Britain's annual real income, and the improvement in the terms of trade may have added another £250 or £350 million, this is a very big bite out of the cake. When allowance is made for an increase in stocks, including an increase in retail stocks in line with the increased spending, it is perhaps not surprising that there have not been enough real resources to spare to maintain the balance of payments surplus.

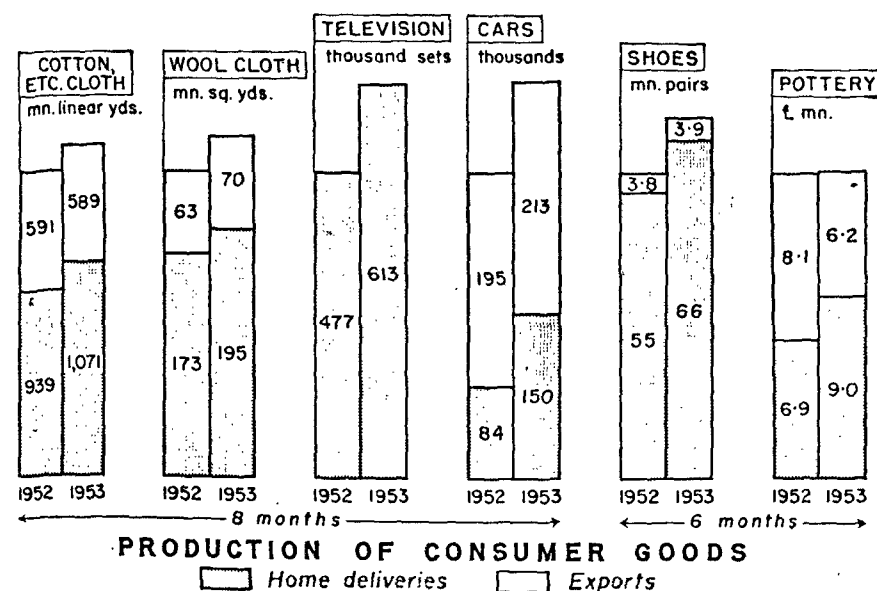
How far has this new spending been a temporary phenomenon, a mere reaction from the recession that went before it? Retailers regard it not so much as a boom but rather as a return to normal. They note, too, that by no means all of the increase in personal expenditure finds its way into their tills. Until the autumn of 1950, as they see it, retail trade was very slowly getting back to normal, as the supply of consumer goods improved. The start of fighting in Korea, which broke out only 18 months after the ending of clothes rationing, started a run on the shops that lasted until the early summer of 1951. But eventually the fear of rising prices and returning shortages that brought customers crowding to buy turned full circle into a refusal by the public to

pay those prices. For nearly twelve months, from the early summer of 1951 to the spring of 1952, buyers stayed out of the shops. The weather played directly into their hands, because a chilly summer in 1951 discouraged them from buying summer clothes and the unseasonably mild winter that followed it gave them no inducement to buy winter clothes either. The weather in 1952 was more seasonable and the signal for recovery was the budget of 1952. The winding up of the utility schemes and with them the ending of price control on clothing and textiles made it possible for retailers and traders all down the chain of distribution to set about liquidating their abnormally high stocks. These goods were sold off in large quantities at cut prices during most of last year. By the autumn, wholesale and retail stocks were looking less inflated; by this spring, the mills were clear of stocks of cloth and yarn; today, the factories are producing goods for the home market as fast as they can. The trade exhibitions are packed with buyers, where a year before a pony and trap could drive down the empty aisles; and the mills are actually running short of yarn.

The result of all this is that in the first seven months of the current retail year—that is, from February to August—the value of retail sales has risen 7 per cent above the level in the same period of 1952. But these figures need careful qualification. A great deal more food has been available this year than last, and at prices higher than those prevailing in 1952. The value of food sales has risen 8 per cent during the seven months; meat sales have been 28 per cent higher; fruit, vegetable and flower sales, 13 per cent higher; and grocery sales 10 per cent higher than they were in 1952. When food sales are subtracted from the total, the rise in sales comes to only 4 per cent compared with 1952.

Compared with 1951, the increase has been even more modest.

Total sales in the first seven months of the retail year 1952 were 3 per cent lower than in the same period of 1951. By this reckoning, the amount of money that people have been spending this year on what the Board of Trade calls "non-food merchandise," a description that



does not include sales of cars and motor cycles and probably not many bicycles either, has been only one per cent higher than it was during 1951, when the slump first hit the retail trade. This, at its most sophisticated, is the retailers' answer to the complaint that present sales are much too high.

Unfortunately, however, there is some reason to believe that the official statistics may understate the real volume of consumer goods now pouring on to the home market. The reason for this is that the figures, even when they are deflated by a mythical price index to translate them into terms of 1948 prices, do not give full weight to the number of transactions now concluded at low prices. To take a specific illustration: at one point last summer, when stocks were being liquidated at cut prices, department store sales of the cheaper types of fabrics were 50 per cent higher, in terms of yards sold, than they were in 1951—yet the value of those sales was only 8 per cent up on the previous year. The official price indices certainly did not show the full effect of this fall.

A suspicion that the pulling power of the home market has had more to do with the fall in the balance of payments surplus than either the official statistics purport to show or official spokesmen would care to admit is reinforced by an analysis of the changes that have taken place this year in the distribution of certain products between the home and export markets. The accompanying chart attempts to show some of these changes, in what is inevitably a rough and ready fashion. It leaves no doubt that the recovery that has taken place in the consumer goods industries this year owes almost everything to the sales expansion at home and little to exports. The bulk of this year's higher production is being sold at home; whether it could have been sold abroad if home demand had been less voracious is, of course, another matter.

The question remains: is the present high rate of demand likely to last? This leads, of course, to consideration of the frequently heard forecast of a recession in retail sales in the pre-budget, first quarter of next year. In spite of the retailers' present pre-occupation with the possible effects of further tax changes on sales—before the budget as well as after—there is certainly no sign yet that either the shops or their customers are holding back orders in expectation of further reductions. And for all the strong arguments to the contrary current in Lancashire, purchase tax is no longer believed to have any marked effect on sales of "soft" goods such as clothing and textiles. The ending of price control and the introduction of the "D" schemes have given retailers so much discretion in pricing their goods that the consumer can rarely tell—and indeed hardly cares—whether goods do or do not carry tax. This does not mean to say that they are not price

conscious, but the "D" scheme is probably taking much of the blame for sales resistance.

Purchase tax, however, is still an important element in the selling price of the more durable household goods such as washing machines, heaters and television sets, not to mention cars. Hardware and electrical sales have expanded sharply since rates of purchase tax were reduced in the last budget; they are on average 13 per cent higher than last year, while sales of television and radio sets went up 25 per cent. It is in these categories that pre-budget sales are likely to feel the draught, and it may be significant that, although wholesale and retail stocks are generally rising, stocks of these kinds of goods are falling. They were 6 per cent lower in August than they were a year before, while the general level of stocks had risen by 4 per cent; simultaneously the general level of wholesale stocks was 5.5 per cent higher than a year before.

In August, for the first time in twelve months, the figures showed a rise in the value of stocks. Twelve months ago traders were emptying their shelves as rapidly as they could. While prices were falling, the shops bought on a hand-to-mouth basis. Their willingness now to re-invest in stocks is a sign that they believe prices have stabilised, and it must surely also be a sign that they do not expect a real recession in sales early next year. It is exceedingly difficult, however, to measure the extent of their new investment. The Census of Distribution showed that at the end of January, 1951, clothing stocks stood at about £160 million. Because some of the department stores (but by no means all the shops normally classed as department stores) are classified elsewhere, the figure is probably on the low side. A comparison of this total with the Board of Trade's index of clothing stocks suggests that the sum invested in clothing rose from £160 million, or thereabouts, in January, 1951, to £185 million in January last year; but that it had been cut back again to a figure in the region of £165 million by this January. By August, clothing stocks had risen to practically £200 million, £10 million more than in July and £15 million more than in August last year. These are big sums for retailers.

The combined value of all retail stocks taken together (including food and excluding cars and most kinds of vehicles) was put by the Census at £571 million in January, 1951. The general level of stocks may have moved to roughly £640 million in January, 1952, and then fallen to £525 million in January this year. January marks the point at which stocks are at their lowest, so if the movement of clothing stocks is any guide, by August retailers had probably invested between £600 million and £650 million in their stocks, and have in all likelihood considerably increased this figure by now. All this suggests that retailers are expecting a period of either stability or increases in home consumption. Will the country be able to afford stability at so high a level?

Business Notes

Diminished Surplus

THE surplus on Britain's balance of payments in the first half of this year was disappointingly small. It is provisionally estimated at £25 million, compared with provisional estimates (which may, apparently, be slightly revised downwards in a White Paper next week) of surpluses of £109 million in the second half of 1952 and of £61 million in the first half of it. All these figures are struck without counting receipts of American defence aid, which amounted to £55 million in the first half of 1953, as part of Britain's overseas income.

In announcing this deterioration in his speech at the annual Bankers' Dinner at the Mansion House this week, Mr Butler put the main blame on "the higher imports we have had in the first half of this year as compared with the second half of last year, when we were feeling the full weight of the import cuts and also producing less." The rider to this explanation, of course, is that although an increase in production—and the increased need for stocks and work-in-progress that goes with it—naturally tends to lead to higher imports of raw materials, some part of the increase in production should also have gone to exports; but today, in Mr Butler's words, British exports are merely "keeping up." No details are yet available about the division of the deterioration as between sterling and non-sterling markets, but in his speeches both at Margate and at the Mansion House Mr Butler has given one hard fact and one hard hint that can provide some comfort about the Government's outlook on the non-sterling balance. The hard fact was that the apparently disquieting fall in the sterling area's dollar surplus in September was due to heavy seasonal imports of tobacco and grain; the very modest increase in the reserves last month was therefore actually slightly better than he had expected. The hard hint was that the Chancellor is looking forward to a good reception from European Finance Ministers when he takes the chair at the OEEC meeting in Paris at the end of this month. Since all Europe is expecting some further easing of British import restrictions—and some increase in the British travel allowance—this must surely mean that he will be going to Paris with opening hands.

An Even Course?

IN Britain's internal economy Mr Butler still considers that a delicate balance is being maintained between inflation and deflation—"so far as I can tell, we are steering a fairly

even course at present between the primrose path and the waste land." He recognised, however, that if "we are to keep up and increase our strength so that we can weather the troughs which are more likely than the tempest" both exports and production must be increased; and he expressed especial anxiety about the production of coal, where "three million tons of the five million lost through extra holidays have been regained, but that still leaves a deficit of two million." He uttered a warning that in the financial year 1954-55, the Exchequer will have to take the burden of a full year's cost of the recent concessions in purchase tax and income tax, of the first year's cost of the restoration of initial allowances, and of continuing heavy defence expenditure (with less offset in the way of American aid); but he went on at once to say that a modern budget is not designed merely to raise money to meet the Government's bills, but to ensure that there is neither too much nor too little pressure on resources. In judging this pressure the Government must watch "a number of things, such as the demand for labour—unfilled vacancies and unemployment—whether prices are rising or falling, and particularly the extent of saving and running down of savings." The most important indicator omitted from this list was the diversion of resources from export to home markets; this also happens to be the one indicator that at present suggests some drift towards the primrose path.

The whole tenor of the Chancellor's speech, however, as also of that of the Governor of the Bank of England, was that the future of economic and monetary policy will depend on "how we all behave during the next half year." Sir John Braithwaite, the chairman of the Stock Exchange, responded to this speech by declaring that he was looking forward "with confidence . . . barring some stroke of fate which no one could foresee" to a further reduction in Bank Rate, and also for "a Budget next April which will take us some modest step further along the road to . . . lower taxation." But Sir John seemed to be the only person who was looking in that direction. The Governor of the Bank, by contrast, was insistent that the one thing that the recent change in Bank Rate "did not imply was any prophecy about the future"; he did not believe that "anybody can be sure in which direction, if at all, the influence of monetary policy may be needed in coming months."

A 95 per cent Conversion

THE second stage of the Treasury's refinancing operation has proved to be no less strikingly successful than the first. Holders of a mere 5 per cent of the £577 million of 1½ per cent Serial Funding stock 1953 have elected for cash repayment at the maturity date next month. The

remainder have tendered £552 million of stock in response to the Government's conversion offer, and over 90 per cent of them have chosen the longer of the two stocks offered. Conversion applications for the 2½ per cent Serial Funding stock, 1957 (which offered a gross redemption yield of £2 8s. 10d. per cent on the basis of market prices at the time of the announcement) totalled £503 million, whereas only £49 million was tendered for the 1954 stock (which on the same basis offered only £2 2s. 3d. per cent). This highly satisfactory result of course owes a good deal to participation by the "departments," but it seems evident that bank holdings have been converted almost in their entirety and that miscellaneous holders have also participated.

In consequence, the volume of free cash put at the Treasury's disposal is even larger than seemed likely last week, when the unexpectedly large response to the cash offer of 3 per cent Exchequer Stock, 1962-63, was announced. After providing for the £25 million of unassented 1953 stock, there will be £315 million in hand towards the £412 million of 1952-54 War Bonds that mature on March 1st next, so that it now seems unlikely that any further issue will be made solely for the purpose of dealing with that obligation. The authorities themselves certainly already hold a substantial slice of the 1952-54 bonds, and they are likely to be able to finance further acquisitions in the coming months by resales of their take-up of the 1957 and 1962-63 stocks.

In other words, the true cash result of this autumn's operation may in the end be a good deal larger even than the immediate result. It was suggested here last week that around £100 million of the initial cash subscription of £341 million came from the "departments," so that the authorities' immediate cash receipt will have exceeded the mid-November liability by at least £200 million. Except to the extent that it is employed in financing the Exchequer's current deficit or in paying for any excess purchases of the March maturities (over and above those financed by selling other stocks), this cash will be employed in redeeming floating debt held by the banking system. Indeed, it has been automatically used in this way already, because the Exchequer never carries more than a working balance in cash, and the banks' liquid assets have therefore declined. The full effect will not be apparent in the banks' next statement, because of the offsetting influence of the Exchequer deficit; but it is generally expected that the ratio of liquid assets to deposits will fall from its high September level of 37.4 per cent to around 35 per cent. The corresponding movement last year, when the banks were "persuaded" to take stock precisely with the object of curtailing their excessive liquidity, was from 38 per cent to 34.4 per cent.

United Steel Gets Set

IT is now clear that the first offer of steel shares will consist of 14 million £1 ordinary shares of United Steel Companies to be issued, on present indications, at 25s. The lists will be open in about ten days' time, and the prospectus is likely to hold out the expectation of a 9 per cent dividend. Hence the yield basis on which the shares are to be offered will be little short of 7½ per cent, a figure which is likely to

make a more attractive impression on potential subscribers than the earlier suggestions that something well below 7 per cent would be appropriate. It remains to be seen, even so, whether the private investor will be encouraged to subscribe on a significant scale. In United Steel he will certainly be buying one of the best equities that the British steel industry has to offer. He is likely to find, too, that a material allowance has been made in the prospectus estimates against the possibility that profits may not be maintained at recent high levels. United Steel has made its full contribution to the record outputs that the industry has been winning this year, and some realistic discounting of what has lately been achieved has justifiably been made before striking an estimate of net maintainable profits in future years.

This operation, and its successors, will still need co-operative support from the institutions. Pink forms for former shareholders and the acceptance of certain gilt-edged stocks at stated prices in respect of applications notwithstanding, it is clear that the basic ingredient of success will be firm underwriting of the issues and firm holding after allotment. The effect of the tendering arrangements for Government stocks on the gilt-edged market and the stability of market in United Steel shares after allotment (particularly if the issue goes with such a swing as to secure a modest premium) will be important features of the issue. It cannot fail to be helped, however, by the news that discussions are proceeding between Vickers and Cammell Laird and the Iron and Steel Realisation Agency for the repurchase of their two companies' interests in English Steel and between Guest Keen and Nettlefolds and the Agency on the possibility of a resale of the various steel works taken over from the Guest Keen group.

Selling Back the Lorries

THE plans for the Government's other denationalisation sale have also been disclosed this week. After steel, come lorries; and, equitably, the haulier with limited means is to be given one of the first bites when the re-sale begins next month. Within the next three months the Road Haulage Disposal Board will ask for tenders (through the medium of press advertisements) for about 10,000 vehicles—in monthly batches of about 3,300 vehicles; these will be offered in about 1,500 lots, widely spread geographically up and down the country. More than a fifth of the vehicles offered for sale will be in lots of not more than four vehicles, and none of these small offerings will include operating premises as well. In the first auctions, the largest lots will not exceed 50 vehicles, though nearly half of them will embrace operational premises. To facilitate the disposal of these units, any associated stores will be excluded from the auctions as such, and will instead be offered separately to a prospective buyer of a unit "at a price as between willing buyer and willing seller." The disposal of units other than these may not follow this pattern; the size and make-up of the units to be sold later on will be specifically designed to meet any demands unsatisfied by the first arrangements.

In particular, during the first six months of next year, a large number of vehicles and properties will be offered as "going concerns" through the sale of the share capital of

road haulage companies. No precise estimate of the number of vehicles to be sold in this way has yet been made, but the Disposal Board hopes that "a fairly high proportion" of the 32,000 vehicles to be sold will have changed hands by the end of next May—a year after the Disposal Board came into being.

Stable Investment?

IN the first half of this year increases in consumption, in defence expenditure, and in stocks and work-in-progress have probably absorbed more than the whole of Britain's expansion in production and gain on the terms of trade. That is the disappointing conclusion to be drawn from the deterioration in the external balance and from the latest indications of the level of fixed investment. In the second half of the year the gain from the expansion of production should be rather larger than in the first; but fixed investment must be expected to increase too.

There are two—admittedly tenuous—items of evidence from which these judgments about fixed investment can be drawn. First, in the middle of 1953 there were 1,189 factories under construction in Britain of a total value of some £147 million, quite significantly fewer than the 1,337 factories of a total value of £152 million that were under construction in the middle of 1952. It is probable, however, that the number will rise in future. In the first half of this year 856 factory-building projects of a total value of £53 million were approved by the licensing authorities, compared with only 516 of a total value of £27 million in the first half of last year. Secondly, orders on hand for new machinery for home industry fell very sharply indeed between March, 1952, and March, 1953—the engineering employers talked recently of a fall of one quarter in the total volume of new orders in the year to this spring; apparently this fall is still proceeding, but the current issue of the Treasury's "Bulletin for Industry" reports that the rate of fall "was much slower in the second quarter of the year."

From these statistics the Bulletin suggests that total investment in manufacturing industry in 1953 as a whole should be "at least maintained" at its 1952 levels. For a year in which industrial production has already increased by between 4 and 5 per cent and in which the terms of trade have already improved by 9 or 10 per cent, mere stability of investment is hardly inspiring. Something better had been hoped for from the expansion in real incomes this year than that all of it should go into the bellies or on to the bodies of consumers, into stock, or up in Woomera smoke.

Home Truths for Lancashire

Two speeches to the exhibitors of textile machinery at the *Textile Recorder* exhibition in Manchester this week were really addressed to their British customers, particularly the Lancashire cotton industry. The criticisms made will no doubt raise a chorus of disavowals and counter-

charges when the industry meets for its annual conference at Harrogate this week-end, but they are no less near the mark for that. Sir Andrew Naesmith, the former general secretary of the Weavers' Amalgamation and now a member of the Steel Board, said that progress in modernisation and re-equipment had been far too slow and far too limited. He wanted to see—and who does not?—the backward firms taking examples from the more progressive units so that the whole tempo of production could be increased. "It is no exaggeration to say that between the best mills and the worst there is a difference of something like 30 per cent in productive efficiency." Perhaps he made too much of the point that greater liberality by the Government on depreciation allowances would help to stimulate new investment, for many firms are only too ready to postpone re-equipment in the hope that the Government will make it easier. Nor is it certain that more liberal depreciation allowances would be an effective incentive. The spinning industry has only spent some £40 million on re-equipment since the war, of which £10 million was an outright grant from the Government.

Mr. W. A. Grierson, a managing director of a spinning firm, had the hardihood to suggest that the sanctions of the American anti-trust Acts in Britain would lead to a far quicker tempo of re-equipment. "Re-equipment goes with a belief in the challenge of competition, not with the feather-bedding of monopoly." Another reason for the slowness of re-equipment was perhaps because it had been considered in isolation, instead of in conjunction with its natural hand-maidens, method study, work measurement and double day-shift working. To Lancashire's complaint of a shortage of 42,000 operatives, 15 per cent of those currently employed in spinning and weaving, Mr Grierson held up the Platt Mission report of 1944 and the productivity reports of 1950 to show that far larger increases than 15 per cent in productivity could be obtained by adopting well-tryed management techniques. A few firms had proved that many of the recommendations of these reports could rapidly be applied in Lancashire's mills. There was now "a golden opportunity" to reach 1950 production figures with a smaller, compact, well-paid and highly skilled labour force. How long will it take Lancashire as a whole to recognise that greater productivity and its survival as a major industry go hand-in-hand?

Futures Trading in Grains

WHEAT futures will be traded on the Liverpool market on December 1, for the first time since 1939. The months of delivery that will be quoted have not yet been settled, but can hardly be earlier than March. Futures trading in maize will probably begin early in the New Year. The London grain market is expected to announce the resumption of trading in futures in the next two weeks or so. A start will be made with maize and barley, probably in mid-November or early December, and wheat is expected to follow a few months later. If the market were to open in mid-November, the first shipment month could be January. The two markets differ in that Liverpool, which was the principal futures market in Britain before the war, is a landed market, that is, the contracts apply to grain in store at that port, whereas in London the contracts apply to grain at port of shipment, c.i.f. UK.

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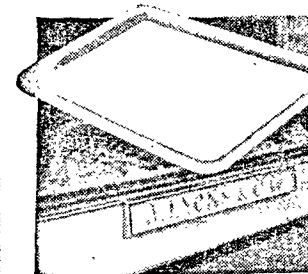


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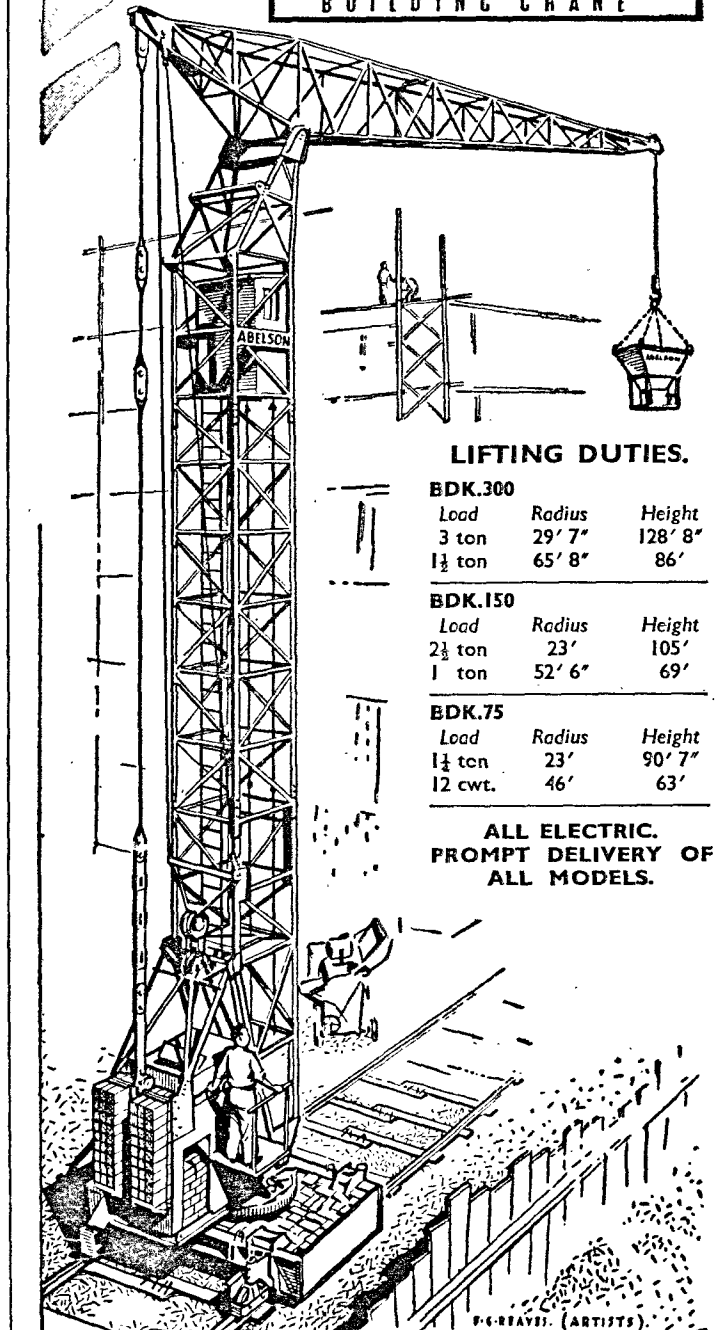
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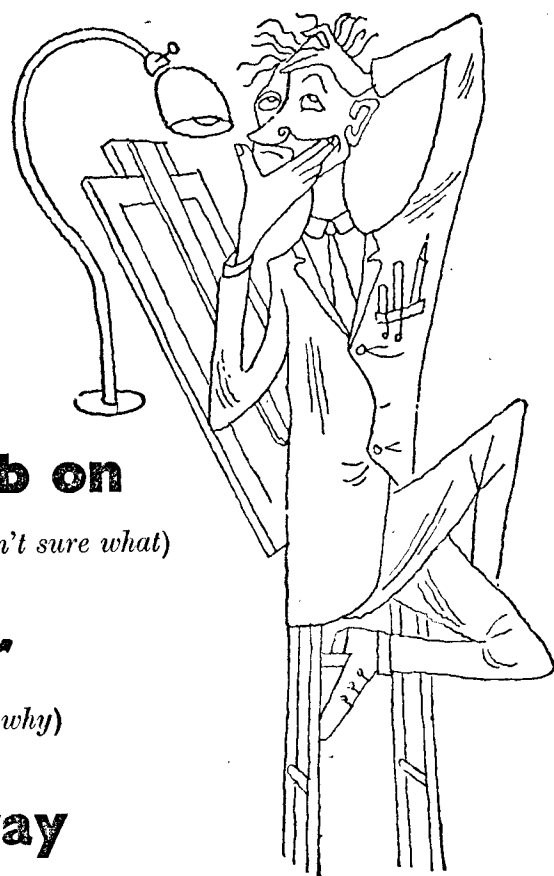
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The delay in reopening the futures markets is mainly an indirect result of the Ministry of Food's prudence in building up very large stocks of imported grain before the trade was decontrolled last August. The authorities in Liverpool and London evidently decided that it would be imprudent to resume futures trading while these stocks were overhanging the market. The Liverpool market must in any case have storage facilities, and the warehouses there are still crammed with grain. But by the end of the year the Ministry's stocks of imported coarse grains should be down to a reasonably low level, and its stocks of imported wheat should be virtually cleared by the spring. The private grain trade will then be almost entirely dependent on the world market, and will be thankful to be able to hedge its purchases. The futures markets will not have as much freedom as before the war. They will miss the prewar facilities of the Winnipeg exchange, and they will have to operate within the ambit of exchange control. But the other commodity markets have managed to work pretty successfully under their restrictions, and Liverpool and London will undoubtedly do everything possible to provide an adequate futures market.

Exports in a Rut

LITTLE satisfaction can be derived from the provisional returns of Britain's overseas trade in September. The value of exports rose by only £3.6 million, to £201.8 million (f.o.b.); while the value of imports rose by £20.4 million, to £269.7 million (c.i.f.). With a drop of £900,000, to £7.9 million, in re-exports, the gross visible trade deficit therefore deteriorated to £60.0 million, compared with £42.2 million in August. The increase in imports last month was no more than seasonal, but the sluggishness of direct exports was disappointing for a month that had one more working day than August and that was affected much less by holidays. On a working day basis, total exports in September were the lowest this year—at just under £8.1 million, compared with £8.3 million in August and an average of £8.9 million in June and July. Even when allowance is made for holiday influences, this is obviously a disturbing trend.

Thanks to the increases in the early summer, the monthly average of exports in the third quarter compares favourably with those of the second and first quarters, but at best it tells a story of recovery at snail's pace. The average in the third quarter was £211.5 million a month, almost the same as the average of £210.0 million in the second quarter and only slightly above the first quarter average of £208.5 million. Exports to the important North American markets fell away to £26.7 million a month from the high average of £29.5 million in the second quarter, but they were still £2.6 million higher than in the first. Fortunately, imports have fallen as exports have flagged. The average of £275.7 million in the third quarter was well below the average of £291.7 in the second, although still £3.3 million above the first quarter's average. In consequence, the gross visible trade deficit was running at an average of £55.9 million a month in the third quarter; this was £17.8 million better than in the second quarter but just £2.0 million worse than in the first.

Austrian Debt Terms

RANKING far below the German and Japanese debt settlements in importance, the Austrian debt settlement is at least equal to its predecessors in the complexity of its details. The "news" of the settlement that has reached London in such an inconsequent way this week is in fact many months old. But it has made its impression on the market nevertheless. There are two Austrian loans of interest to British investors. The first is the 1930 International Loan, of which about £2,800,000 is outstanding in this country. This loan was originally issued with a 7 per cent coupon (later scaled down to 5 per cent) and was due for final redemption in 1957. Service on this loan, which has been continually in default since 1939, will be resumed in January at the lower rate of 4½ per cent; final redemption is postponed to 1980 and the sinking fund will begin to operate in 1959. Interest arrears from 1945 to 1952 will be paid off by Austria at 4½ per cent, in nine annual instalments beginning in January; interest arrears for 1939-45 will be a German responsibility—the Federal Republic has informally accepted the obligation to pay these off at an effective rate of 5½ per cent. These terms are very much what the market had expected; and after the report of the settlement the price of the bonds remained unchanged at 87½; this compares with this year's low point of 54.

The second Austrian issue is the 4½ per cent International Guaranteed Loan of 1934-39, of which there is £4,300,000 outstanding in Britain. The detailed settlement of this loan has been complicated by the Czech refusal to fulfil its bargain as a guarantor. Recently, the other guarantors of the loan have kept interest payments up to date by paying a rate of 4½ per cent on 75½ per cent of the face value of the bond (that is excluding the portion of the loan originally guaranteed by the Czechs); drawings of the bonds have been made on a similar basis. From next January, Austria will take the place of these guarantors and will pay interest at 4½ per cent on the full face value of the bonds; the effective rate that bondholders receive will really be raised from just under 3½ per cent to the full 4½ per cent. The amortisation of the loan will be spread over 22 years from 1959 to the new redemption date of 1980; and within the next eight years Austria will wipe out the interest arrears accruing from the Czech refusal to pay since 1949—though only at a rate of 3 per cent. These terms, and those relating to drawn bonds (which favour those drawn since 1945), are slightly better than had been expected; after the details were known in the market, the bonds were marked up 2 points to 86½.

Next week's issue of *The Economist* will include a survey of the

British Motor Industry

with articles on the new cars, market prospects at home and abroad, and comparisons of price and performance for all current models.

The Complicated Cruzeiro

FOLLOWING hard on the heels of the agreement on the settlement of its commercial debts to Britain, Brazil has announced drastic changes in its exchange control regulations and exchange rates. The official exchange rate had previously been 52 cruzeiros to the pound; but as this rate was wholly out of line with the market value of the cruzeiro, the Brazilian government permitted up to 50 per cent of export proceeds to be sold at the free rate—which had lately settled down at around 104 cruzeiros to the pound, or exactly one half the official rate. Imports were subject to a strict licensing control. The basic change now made is that exports are to be encouraged by premiums on the official rate, and imports are to be controlled by a discriminatory price mechanism rather than by physical controls. Coffee exports will qualify for a bonus of 14 cruzeiros to the pound, bringing the effective sterling rate up to £1=66 cruzeiros. The bonus on all other commercial exports is to be 28 cruzeiros, and the effective sterling rate will thus be £1=80 cruzeiros. This should give a particular boost to cotton and cocoa exports, as only a small portion of the proceeds from these exports was previously eligible for conversion at the free rate. Capital transactions will still be subject to the official rate.

The new import arrangements are more intriguing. Control through licence by the Bank of Brazil is to cease; instead, the Bank is to auction off 70 per cent of its foreign exchange proceeds in the open market, the 30 per cent being set aside for settlement of commercial debts. The exchange is to be sold in the form of certificates divided into five categories of ascending essentiality; and since more exchange certificates will be granted by the authorities for the lower than for the higher categories, the cruzeiro rate that will balance demand to supply should make more essential goods much cheaper than less essential goods. Not everybody can participate at the auctions for exchange certificates, and those who may will not be allowed to tender for an unlimited amount; it remains to be seen how far this sanction proves to be one of the real factors that will control imports. In theory, however, the emphasis is now supposed to be wholly on the price system; indeed the scheme, as published, might have come straight out of the bonnet of some neo-liberal—but peculiarly academic—professor of economics. At first sight, the scheme seems to augur well for the debt settlement—though it will be surprising if Brazil succeeds in limiting its imports to 70 per cent of its exports for any length of time; and the cruzeiro certainly has been brought somewhat nearer its true market value. But arrangements of this sort, with their petty advantages and their frightening complexity, are greatly inferior to straightforward reform. Until theory is translated into practice, the new arrangements can best be regarded as more promising than the old ones, but still full of loopholes and very, very odd.

Economy in Power Stations

THE report of the committee under Sir Hugh Beaver which has been considering the possibility of saving materials and manpower in the construction of power

stations is a workmanlike document, with two principal merits. First it shows that the British Electricity Authority has made at least a useful beginning towards the achievement of more scrupulous standards of economy in power station design and equipment. Secondly, while the report gives BEA all proper credit for what it has so far been able to do, it urges that further savings during the next decade can readily be made. There was bound to be a reference to power stations "like cathedrals" which the Fine Art Commission had criticised four years ago. But the report shows that extravagant architectural treatment is less common in station design than it was, and that simpler and more functional solutions of the problems of design should be encouraged by the placing of many new power stations in the coalfields. High church is giving place to nonconformist chapel.

BEA itself has some grounds for complaint, for it is a victim of inter-departmental negotiation and long delays occur in the interlocutories of planning before it can usually make a start with construction. It is possible to endorse the Beaver Committee's suggestion that these processes can be speeded up without wholly following them in asking BEA to table long-term estimates of future site requirements and locations based on such general propositions as that "the demand for electricity is doubling, we are informed, about every ten years." The arbitrament of cost and price is ultimately the only sound criterion for expansion.

But on many technical matters, the report is fully appreciative of cost considerations. Greater standardisation of station design might produce economies of 10 or even 15 per cent of ultimate cost. Much ancillary equipment could be standardised or at least made to set dimensions. It may be possible to dispense with permanent overhead cranes in the power stations themselves. A further reduction in the amount of covered space in relation to the capacity installed within it ought to be possible; the old lavish provision of 60 cubic feet per kilowatt installed has been steadily reduced until the average for stations with 100,000 kW sets under design or construction comes to 26 cubic feet. And in two stations where boilers are being put out of doors the covered space will be cut to 17½ cubic feet. With programmes of new construction stretching out towards 1¼ million kW a year, and with present building costs of 4s. a cubic foot, the scope for economy in future construction is too obvious to need further argument. There are signs that new ideas are taking a firmer grip of old vested interests in conservatism and lavishness; they deserve encouragement—and perhaps an occasional prodding.

Tea Prices Off Peak

LONDON tea blenders sighed with relief this week on learning of the recovery of production in North India, and promptly trimmed their bids at auction. Prices of all grades of tea at Mincing Lane eased slightly from their recent peaks, the fall being accentuated by the seasonal decline in quality in North Indian teas. Clean common pekoe was quoted 1½d. cheaper at 3s. 4½d. a lb. The reports indicated that this season's output in North India, the largest tea-growing area, had recovered to 350.3 million lb by the end of September. This is only 21.8 million lb lower than at the same time last year, whereas output up to the end of August was 32 million lb below the com-

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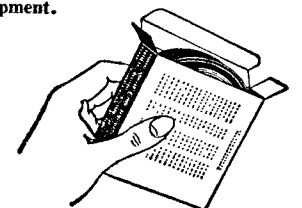
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parable figure in the previous season. In Ceylon output rose to 232.3 million lb at the end of August, 11.8 million lb higher than in the corresponding period of last year. If the improvement in the North India crop continues, as seems likely, the shortage of low and medium grades teas will be further relieved, and prices may fall by another few pence.

This would remove a problem that has nagged the London tea trade for some weeks past. Prices at auction, especially of the low grade teas that are used to cheapen the price of the good quality blends, had soared to a level at which blenders considered they would have to raise their own prices. But they were reluctant to risk discouraging home consumption. Demand in Britain, where nearly half the world's tea is drunk, dropped immediately after derationing last October, because the public lived off its "hidden" stocks, but it has risen appreciably since then. This improvement in British demand coincided with a fall in output in North India, owing mainly to poor weather, but also to the voluntary restriction of production that had been introduced to prevent a repetition of the depressed conditions of the 1952-53 season. The shortage of North Indian teas this season lifted prices from 2s. a lb for clean common broken pekoe last January to 3s. 6d. a lb early this month. The recovery in prices led to the easing of the restrictions, and they were virtually abandoned last week.

Anglo-Iranian in Canada

THE £1 ordinary stock units of Anglo-Iranian, which had been exceptionally buoyant for some months past, took a sudden jump last Wednesday, by 11/32 to 8 5/32, on the news that the company is staking a claim in Canada's oil boom. The market's welcome to this news is understandable, but the excitement looked rather disproportionate, for the participation at this stage is only a modest one. Through its wholly-owned subsidiary, D'Arcy Exploration, the company has purchased a 23 per cent shareholding in Triad Oil Company of Alberta at a cost of about \$5 million; and it has also acquired the right to subscribe additional finance to bring its shareholding up to not less than 50 per cent. Anglo-Iranian is doubtless looking to the substantial exploration rights that Triad possesses rather than to its current rate of oil production, now running at a modest 400,000 barrels a year. But, by comparison both with the huge sums that others have already poured into the development of the Canadian fields and with the size of Anglo-Iranian's own investments elsewhere in the world, this initial investment of about £1,800,000 is a minor one. The development of Canada's oil is still a costly and speculative business and, while Anglo-Iranian was obviously anxious to get its foot in the door, it has been wise not to stride through it forthwith.

In itself, therefore, this new venture does not significantly alter the valuation basis for the group's own equity stock. Its earlier rise—from under £6 five months ago—had been founded on a gamble on other prospects than those in Canada. At the back of investors' minds is the hope that the Persian oil dispute will be settled, and in the front there is the hope of a bonus issue of shares and another increase in the dividend. The testing time for the market will come at the end of this month, when the interim declaration is due.

Axial Argument

THE Comet II and its successor the Comet III, have been a bone of contention between the British and American security authorities since the de Havilland company began to seek customers. The two Comets use two civil versions of the Avon engine, one of 6,500 pounds thrust and a more powerful, newer version of 10,000 pounds thrust; these engines are almost identical with the ones that power the majority of the new British and Nato military aircraft. Therefore the Americans argue that there are security reasons for restricting the sales of civil Comets to carefully approved purchasers; the list would not include the Japanese airline that ordered Comet IIs last year. Moreover, the Americans would like to end the giving of any information about the Comet III's engines to prospective buyers.

The security grounds for this attitude are that the later Comets use engines with axial-flow compressors, whereas the Comet I uses the older type of engine with a centrifugal compressor to which no objection is raised. The MIG has a centrifugal compressor, in common with most of the older gas turbine engines. But new engines are all designed with axial compressors and no one knows, apparently, whether the Russians have developed such engines for themselves.

The general reaction among the British authorities has been to laugh these fears out of court. The American attitude is not backed by any sanctions, and it would be incorrect to imply that the Americans have imposed any "ban" on British sales of axial flow engines. But they have made their wishes felt, and it is clear that these may have commercial implications as well as a security angle. Is there, in fact, any justification for the belief that sales of civil jet aircraft might constitute a security leak? The Air Ministry, which would suffer directly from premature disclosures, believes that there can be little harm in selling a design abroad once it is in squadron service in quantity, as the Canberras and American Sabres already are. This gives the air forces a technical need of about 3 years, by which time new types should be coming forward. It is also about as long as anyone can reasonably expect to maintain an effective security blanket. To argue, as the Americans appear to have done, that an engine should not be sold until it is obsolete by service standards is to suggest, in this case, that no country outside Nato is capable of designing an axial flow engine. This is asking a lot of British credulity, particularly after the recent evidence of the advance of Russian technology to match American knowledge of the hydrogen bomb. It would also be difficult to square this view with the declared intention of the American aircraft industry to export jet airliners, when, eventually, they have such aircraft to sell.

Relief for Hydrocarbon Oils

THE cut of 6d. a gallon that was made this week in the excise duty on home-produced hydrocarbon oils, bringing the duty down to 1s. 3d. a gallon, had been foreshadowed by the Chancellor of the Exchequer as long ago as May, but the amount by which the duty should be reduced has been under discussion all through the summer. In the early thirties, when production of hydrocarbons from

local materials began, they went tax free while the same products imported, or made from imported materials, bore import duty at 9d. a gallon. This preference of 9d. a gallon on home production has been maintained through each successive increase in import duties, by corresponding increases in the excise duty on the home product. Home producers have complained that the rise in costs that has taken place since the 9d. preference was first granted has made it increasingly difficult for them to sell at ruling market prices, and they have more recently backed their arguments by taking the less economic plants out of production. Many gas companies can get a higher return from their benzol by leaving it in the gas than they would obtain by recovering it and selling it as a separate product.

Production of benzol this year had reached a total of 69.5 million gallons by the end of August, roughly the same rate as last year when a total of 104.5 million gallons was produced. The return of premium grade petrols, some of which incorporate benzol, has meant that demand is coming perilously close to outstripping available supplies, and the main purpose of the new concession is to bring back some of the closed benzol plants into production. The reduction of 6d. a gallon brings the excise duty to 1s. 3d. a gallon compared with an import duty of 2s. 6d. a gallon on imported hydrocarbons. This new preference of 1s. 3d. is not expected to leave any room for reductions in selling prices except those that may eventually be expected to follow on increased output and lower distribution costs.

SHORTER NOTES

As if to emphasise the plight of the natural rubber growers to the American representatives at the Rubber Study Group's conference in London, the price dropped by another ¼d. lb early this week. It later gained ¼d. lb to close on Thursday at 16¼d. Liquidation in New York and Malaya seems to have stopped for the time being, and the lower prices have attracted a certain amount of trade buying.

★

At the EPU settlement for September Germany showed another surplus, of \$26.8 million, in its trade with other West European countries; this increased its cumulative surplus with EPU to \$634 million, or \$134 million in excess of its quota. The Federal Republic has agreed, however, to accept payment half in credit and half in gold for any further surpluses up to a cumulative total of \$700 million (compared with a ceiling of \$650 million hitherto). France's deficit with other EPU countries in September, at \$24.8 million, was almost exactly accounted for by its debt repayment of £8,700,000 to the United Kingdom last month; while the United Kingdom's surplus (which, as already reported, was \$12.2 million) was more than accounted for by that special receipt.

Company Notes

ROAN ANTELOPE AND MUFULIRA. The latest dividends from the Rhodesian Selection Trust group of copper companies must be appraised—as were their preliminary sales and profit figures, discussed in *The Economist* on September 12th—in the light of two conflicting influences. First, the outlook for copper is very uncertain; its price has been firmer in London in the last three weeks, but this is partly because supplies have been held up by strikes and threatened strikes in the Americas—and it must be remembered that Chile's current production has still not come on to the market. Secondly, these companies—Rhodesian Selection Trust and the two operating companies, Roan Antelope and Mufulira—migrated to Rhodesia at the beginning of July. This will have brought some savings in tax to the operating companies even for the year now reported (to June 30th last), for tax provisions entered in the accounts are to some extent projected against forward profits; and there should be many more savings still to come. In deciding on dividend payments, however, the directors must weigh this prospect against the recent fall in copper prices and the threat of a still more rainy day.

Their answer to this dilemma is to be found in the latest dividends. Roan Antelope's total equity distribution for the year to June 30th last has been raised

from 45 to 52½ per cent; but Mufulira's dividend has been left unchanged at 41½ per cent, as has the 40 per cent dividend paid by Rhodesian Selection Trust (most of whose income comes from its 64 per cent shareholding in Mufulira). Yet the increases in net profits for all three companies have been large. Mufulira's net profits have risen by over £1 million, from £2,617,816 to £3,625,276 after its provision for taxation had been reduced

from £5,651,927 to £3,842,041; while Roan Antelope's net profits have actually risen by over £2 million, from £2,642,914 to £4,787,574 following a fall in its tax bill from £5,888,767 to £4,565,101. In both cases, however, the operating companies have prudently made much bigger appropriations to replacement and general reserves. Rhodesian Selection Trust's net profits have risen from £1,117,000 to £1,797,000. Until the full accounts are published, however, it will be impossible to say how large a proportion of the tax savings following the change in domicile has already been reaped—and how much is still in prospect; indeed, it may not be

COPPER SALES AND PROFITS
(£'000)

	Roan Antelope		Mufulira		Rhodesian Selection Trust	
	1952	1953	1952	1953	1952	1953
Copper sales (long tons).....	81,027	87,307	76,369	72,981	...	...
Operating surplus.....	9,636	12,424	9,337	10,536	...	...
Replacement, etc.....	1,000	3,000	1,000	3,000	...	...
Profit before tax.....	8,532	9,353	8,270	7,467	1,125	1,801
Taxation.....	5,889	4,565	5,652	3,842	8	4
Net profit.....	2,643	4,788	2,618	3,625	1,117	1,797
Tax credits.....	73	2,165	655	1,997	...	6
Net income.....	2,716	6,953	3,273	5,622	1,117	1,803
Ordinary dividends.....	2,123	4,213*	1,764	2,811†	1,112	1,760‡
Ordinary dividends (per cent)	45	52½	41½	41½	40	40
General reserve.....	450	2,750	1,250	2,750	17	...
Added to carry forward....	Dr. 81	Dr. 61	12	26	Dr. 11	43

* Final dividend of 40 per cent, absorbing £3,595,075, appropriated as if free of British taxation.
† Final dividend of 26½ per cent, absorbing £2,138,882, appropriated as if free of British taxation.
‡ Final dividend of 25 per cent, absorbing £1,323,461, appropriated as if free of British taxation.

possible to make an accurate assessment even then.

The migration of these companies to Rhodesia has affected not only the prospective size of their dividends but also the form in which dividends will be paid. The final dividends just declared by the three companies have been entered in the accounts as tax free payments, but British shareholders will still have to pay the full British standard rate of tax on them—without any relief for double taxation. Future dividends that are received by British residents, however, will be subject to the standard rate of British tax less a relief for the Northern Rhodesian taxes already paid by the companies on these dividends. But it is on the taxes levied upon the companies' incomes (not upon their dividends)—and on the trend of the copper price—that any decision about future equity distributions is likely to turn.

FAIREY AVIATION. Some investors may be a little puzzled by the practice adopted by Fairey Aviation of including profits relating to deliveries made in previous years—but arising from the settlement of contracts in the current trading year—in the consolidated trading profit shown in its preliminary announcement. Yet so long as these credits occur regularly—as they must do in an aircraft company—there should be little difficulty in interpreting the current trend of profits. For Fairey Aviation, which has ample orders from the Government for Gannets and expanding interests in guided missiles, this trend appears to be definitely upward. For the year to March 31st last the company showed a trading profit of £948,638, although about £400,000 of this came from the completion

of contracts on deliveries made earlier; in the year before the company had shown a profit of £804,832, of which well over half (about £525,000) had come from deliveries made in earlier years.

Unfortunately, although trading profits (whether including or excluding these special credits) have continued to advance, net earnings have dropped from £382,994 to £295,686; the immediate cause of this was a sharp increase in taxation from £417,501 to £641,654. The directors have put more than the full weight of this reduction in net earnings onto a reduction in

	Years to Mar. 31, 1952	1953
Consolidated earnings:—		
Trading profit*.....	804,832	948,638
Taxation.....	417,501	641,654
Net profit.....	382,994	295,686
Ordinary dividends.....	134,892	141,316
Ordinary dividends (per cent).....	25	25
Retained by subsidiaries	124,361	22,219
General reserve.....	100,000	50,000
Development reserve.....	...	50,000
Added to carry forward	Dr. 1,259	32,151

10s. ordinary stock at 34s. yields £7 7s. per cent.

* Including profits (1952, £525,000; 1953, £400,000) on deliveries made in past years but arising from contract settlements completed during the current years.

the profits retained by subsidiary companies—from £124,361 to £22,219. But they have ploughed a little more back into the parent company's own reserves than in the year before, and they have maintained the ordinary dividend (which is still covered more than twice by net earnings) at 25 per cent. Investors had hoped for a little more from the company than this; and since the week-end, when the dividend was declared, the company's 10s. ordinary stock units have fallen by 1s. 1½d. to 34s., to offer a yield of £7 7s. per cent.

THE ACTUARIES' INVESTMENT INDEX

Group	Price Indices (Dec. 29, 1950=100)					Average Yields (per cent)				
	Sept. 30, 1952	Dec. 30, 1952	July 28, 1953	Aug. 25, 1953	Sept. 29, 1953	Sept. 30, 1952	Dec. 30, 1952	July 28, 1953	Aug. 25, 1953	Sept. 29, 1953
	1952	1952	1953	1953	1953	1952	1952	1953	1953	1953
2½% Consols.....	82.4	82.4	85.8	85.6	90.1	4.29	4.29	4.13	4.13	3.92
Industrial stocks:										
Investment trust.....	79.8	81.1	84.0	84.1	86.7	5.16	5.08	4.90	4.89	4.75
Preference stocks:										
Industrial.....	79.0	81.8	84.2	84.3	87.5	5.22	5.05	4.90	4.89	4.72
Investment trust.....	85.0	85.6	87.7	88.0	91.0	5.34	5.30	5.17	5.15	4.98
Ordinary stocks:										
Industrial.....	81.8	84.0	85.3	85.4	87.1	5.39	5.25	5.17	5.16	5.06
Investment trust.....	80.8	81.2	89.7	90.8	92.2	5.00	4.98	4.56	4.50	4.44
Industrial insurance.....	98.1	97.8	107.4	111.1	113.3	5.77	5.80	5.30	5.21	5.09
Investment trust.....	112.6	110.5	120.3	124.0	127.0	5.48	5.69	5.73	5.57	5.43
Electrical engineering.....	92.5	93.7	97.1	99.6	99.8	5.92	5.91	6.23	6.05	5.91
Engineering.....	101.3	105.1	107.8	110.6	111.5	5.44	5.34	5.48	5.34	5.30
Motors and aircraft.....	103.5	105.1	106.4	112.0	116.7	6.24	6.36	6.40	6.06	5.82
Breweries.....	98.1	98.2	93.4	95.0	98.2	6.47	6.50	6.93	6.84	6.61
Chain stores.....	99.5	103.2	136.6	141.1	145.9	4.97	4.58	4.61	4.47	4.32
Cotton textiles.....	82.4	85.9	93.0	97.6	101.6	8.47	7.74	6.82	6.52	6.26
Household goods.....	83.8	90.3	86.8	97.3	103.7	6.98	6.62	5.73	5.48	5.20
Railways.....	68.6	70.9	74.4	77.1	77.2	8.13	7.52	4.70	4.49	4.52
Tobacco.....	80.5	84.9	82.4	82.7	84.8	7.21	6.83	7.16	7.13	6.95
Wool textiles.....	76.1	79.4	90.9	93.6	93.6	7.55	6.48	6.47	6.22	5.82
Chemicals.....	114.1	114.0	116.5	119.0	123.1	5.43	5.51	5.30	5.19	5.09
Oil.....	111.1	104.7	110.1	112.2	115.7	6.57	7.14	7.02	6.91	6.71
Shipping.....	104.2	101.9	107.8	103.4	114.5	6.83	7.05	7.00	7.00	6.66
Total (capital goods).....	100.7	103.9	101.5	107.8	109.6	5.84	5.37	6.15	5.95	5.82
Total (consumption goods).....	87.4	91.7	95.9	100.4	103.6	6.85	6.48	6.32	6.15	5.95
Total industrial (all classes).....	95.7	97.5	101.3	104.5	107.2	6.37	6.29	6.25	6.08	5.92

LONDON STOCK EXCHANGE

Next Account begins: October 28th.
Next Contango Day: October 28th.
Next Settlement Day: October 20.

INTERNATIONAL political uncertainties cast a rather deeper shadow over the boom in stock markets when they reopened after the week-end. The news from Trieste, British Guiana and Egypt, caused some scattered selling from the outset on Monday, especially in those stores shares in which a speculative position had been built up; and even the very satisfactory response to the Government's conversion offer failed to prevent a slide in the gilt-edged market, which showed losses of up to ½ on the day. The *Financial Times* ordinary share index eased another 0.2, to 127.3 (compared with 128.5 at the peak reached a week before). Monday's dullness was, however, relieved by active dealings in the new Babcock and Wilcox debenture stock, which opened at 1½ premium on the issue price of 97½ and, after rising to 1½ premium, closed around the opening price.

Tuesday brought some recovery in gilt edged, though industrials sagged further. They rallied, however, when dealings started for the new account. By Wednesday's close, most gilt-edged stocks were ½ or more above their depressed Monday level; 3½ per cent War Loan had regained ½, at 85½, and thus was restored to its level of a week before. Rises were also fairly general in most of the principal sections of the industrial market, raising the ordinary share index to 127.1, against 126.7 on Tuesday. A contributory factor in this recovery was the knowledge that several important dividend announcements, of which the market has high hopes, are due shortly. A notable feature on Wednesday was a jump in Anglo Iranian by ½ to 8½, the highest price since 1949, on the news that the company had entered the Canadian oil industry and also on hopes of an increased dividend. Most of the other oil leaders scored modest gains. In contrast to their recent dullness, a general revival occurred in Kafirs, led by uranium shares; and there was also some active buying in base-metals. Tea shares were in fair demand, but rubbers continued idle and flat.

FINANCIAL TIMES INDICES

1953	Security Indices		Yields	
	Ord.*	Fixed Int.†	2½% Cons.	Ord.
Oct. 7...	127.7	111.36	3.92	5.55
" 8...	127.6	111.37	3.92	5.56
" 9...	127.5	111.30	3.93	5.57
" 12...	127.3	111.16	3.94	5.58
" 13...	126.7	111.17	3.94	5.61
" 14...	127.1	111.25	3.93	5.59
1953, High.	128.5	111.43	Total bargains	
" (Oct. 2)	113.9	(Sept. 21)	" 8	10,351
" Low.	113.9	(Oct. 6)	" 9	8,283
" (May 20)	103.4	(Jan. 5)	" 12	10,218
1952, High.	121.5	106.66	" 13	8,947
" (Jan. 1)	103.1	(Jan. 9)	" 14	8,998
" Low.	103.1	100.67		
" (June 24)		(July 3)		

* July 1, 1935=100. † 1928=100.

LONDON ACTIVE SECURITIES

Prices, 1953 Jan. 1 to Oct. 14		BRITISH FUNDS AND GUARANTEED STOCKS	Price, Oct. 7, 1953	Price, Oct. 14, 1953	Net Yield, Oct. 14, 1953 %	Gross Yield, Oct. 14, 1953 %	Prices, 1953 Jan. 1 to Oct. 14		Last Two Dividends (a) (b) (c)	ORDINARY STOCKS	Price, Oct. 7, 1953	Price, Oct. 14, 1953	Yield, Oct. 14, 1953 %
High	Low						High	Low					
100 1/8	99 1/8	War Bonds 2 1/2% '52-54...	100 1/8	100 1/8	13 7/8	2 3/8	45/-	32/3	10 c	12 1/2	43/6	43/6	5 14 11
100 1/8	98 1/8	Exchequer 2 1/2% 1955...	100 1/8	100 1/8	1 1/8	2 4/8	14/3	10/10 1/2	15 c	5 a	13/3	13/3	7 0 5 1/2
101 1/8	99 1/8	Exchequer 3% 1960...	101 1/8	101 1/8	1 7/8	2 15/8	55/4	45/3	5 a	10 b	52/6	50/6	5 18 10
99 1/8	99 1/8	Exchequer 3% '62-63...	99 1/8	99 1/8	1 13/8	3 0 10/16	51/4 1/2	44/6	12 1/2 b	2 1/2 a	50/3*	50/-	6 0 0
100 1/8	99 1/8	Serial Funding 1 1/2% 1953...	100 1/8	99 1/8	1 3 11	2 1 4	32/4	21/4 1/2	7 b	4 a	31/6	32/-	6 17 6
99 1/8	98 1/8	Serial Funding 1 1/2% 1954...	99 1/8	99 1/8	1 0 5	2 6 2	28/9	21/4 1/2	11 c	12	27/9	27/3	5 17 5 1/2
101 1/8	100 1/8	Serial Funding 3% 1955...	101 1/8	100 1/8	1 3 5	2 7 2	48/1 1/2	41/4 1/2	5 a	7 1/2 b	45/6	45/6	5 9 11
100 1/8	98 1/8	War Bonds 2 1/2% '54-56...	100 1/8	100 1/8	1 3 8	2 10 8	48/7 1/2	37/3	5 a	6 1/2 b	47/-	48/3	4 13 3
101 1/8	99 1/8	Funding 2 1/2% '52-57...	101 1/8	101 1/8	1 5 6	2 13 9	50/3	38/6	10 b	5 a	49/-	50/-	6 0 0
102 1/8	99 1/8	Nat. Def. 3% '54-58...	102 1/8	101 1/8	1 7 2	2 13 11 1/2	66/3	49/-	4 a	16 b	65/-	64/9	6 3 6
97 1/8	91 1/8	War Loan 3% '55-59...	97 1/8	91 1/8	1 18 5	3 6 3	41/10 1/2	36/6	7 1/2 a	12 1/2 b	41/3	41/3	4 17 0 m
98 1/8	93 1/8	Savings Bonds 3% '55-65...	98 1/8	97 1/8	1 14 1	2 16 11 1/2	39/6	33/3	2 a	8 b	39/6	39/6	5 1 3
92 1/8	86 1/8	Funding 2 1/2% '56-61...	92 1/8	92 1/8	2 5 3	3 13 7	60/6	51/-	10 b	5 a	56/10 1/2	56/10 1/2	5 5 1
94 1/8	87 1/8	Funding 3% '66-68...	94 1/8	94 1/8	2 3 1	3 11 7	46/-	36/6	3 1/2 a	7 1/2 b	39/4 1/2	39/4 1/2	5 14 4
102 1/8	98 1/8	Funding 4% '60-90...	100 1/8	100 1/8	2 2 8	3 18 4	19/6	15/6	6 1/2 b	3 1/2 a	18/9	18/3 1/2	5 8 10
91 1/8	85 1/8	Savings Bonds 3% '60-70...	91 1/8	91 1/8	2 5 7	3 14 4	36/-	25/1 1/2	15 c	4 a	7/3	6/9	7 14 1 1/2
91 1/8	84 1/8	Savings Bonds 2 1/2% '64-67...	89 1/8	89 1/8	2 5 2	3 9 0 1/2	35/10 1/2	23/6	7 1/2 c	7 1/2 c	28/3	28/6	5 5 3
103 1/8	100 1/8	Victory 4% '20-76...	101 1/8	101 1/8	2 1 0	3 17 0 1/2	7/7 1/2	5/8 1/2	17 1/2 a	4 a	34/9	34/-	4 8 3 1/2
89 1/8	82 1/8	Savings Bonds 3% '65-75...	88 1/8	88 1/8	2 6 4	3 15 9 1/2	45/3	36/6	5 1/2 b	6 a	44/9	44/3	5 1 9
95 1/8	86 1/8	Consols 4% aft. Feb. '57...	93 1/8	93 1/8	2 7 2	4 6 2 1/2	96/3	78/6	25 c	25 c	87/6	87/6	5 14 4
86 1/8	77 1/8	Conv. 3 1/2% aft. April '61...	84 1/8	84 1/8	2 5 6	4 2 10 1/2	29/6	24/-	25 c	2 a	28 1/2	28/9	5 16 0
64 1/8	57 1/8	Treas. 2 1/2% aft. April '75...	63 1/8	63 1/8	2 3 6	3 19 2 1/2	67/3	58/6	5 a	10 b	65/-	66/3	4 10 7
75 1/8	67 1/8	Treas. 3% aft. April '66...	74 1/8	74 1/8	2 4 7	4 1 1 1/2	7/3	5/3 1/2	12 c	12 c	6/9	6/6	9 4 7
94 1/8	87 1/8	Treas. 3 1/2% '77-80...	94 1/8	93 1/8	2 5 3	3 18 10 1/2	23/1 1/2	19/-	20 c	5 a	22/-	22/6	4 8 11
94 1/8	90 1/8	Treas. 3 1/2% '79-81...	93 1/8	93 1/8	2 5 3	3 18 7 1/2	38/9	16/6 1/2	22 1/2 b	12 1/2 a	35/10 1/2	36/-	3 18 8
84 1/8	76 1/8	Redemption 3% '86-96...	84 1/8	84 1/8	2 4 7	3 15 11 1/2	103/-	85/7 1/2	5 a	17 1/2 b	98/9	93/9	4 16 0
87 1/8	77 1/8	War L'n 3 1/2% aft. Dec. '52...	85 1/8	85 1/8	2 5 5	4 3 3 1/2	67/-	46/3	15 a	35 b	65/6	63/3	3 19 0
64 1/8	58 1/8	Consols 2 1/2% '71-72...	63 1/8	63 1/8	2 3 3	3 18 8 1/2	60/4 1/2	44/3	55 c	20 a	59/6	58/-	4 14 10
89 1/8	83 1/8	Br. Elec. 3% '68-73...	89 1/8	89 1/8	2 7 2	3 16 3 1/2	8 1/8	5 1/8	5 a	30 b	7 1/8	8	4 7 6
88 1/8	82 1/8	Br. Elec. 3% '74-77...	88 1/8	88 1/8	2 6 4	3 15 9 1/2	58/4 1/2	40/11 1/2	12 1/2 b	2 1/2 a	54/4 1/2	58/1 1/2	5 3 3
102 1/8	99 1/8	Br. Elec. 4 1/2% '74-79...	101 1/8	102 1/8	2 4 5	4 2 5 1/2	43 1/2	29 1/2	4 a	12 b	43 1/2	43 1/2	4 17 8
94 1/8	88 1/8	Br. Elec. 3 1/2% '76-79...	94 1/8	93 1/8	2 5 3	3 18 0 1/2	91/-	75/7 1/2	5 1/2 a	10 1/2 b	90/-	88/9	6 2 11
85 1/8	76 1/8	Br. Trans. 3% '78-88...	84 1/8	84 1/8	2 6 8	3 17 6 1/2	31/10 1/2	23/-	11 1/2 b	5 1/2 a	30/-	29/6	5 2 8
89 1/8	83 1/8	Br. Trans. 3% '68-73...	89 1/8	89 1/8	2 7 2	3 16 3 1/2	44/1 1/2	32/6	13 1/2 b	2 1/2 a	40/-	39/6	8 2 0
100 1/8	95 1/8	Br. Trans. 4% '72-77...	100 1/8	100 1/8	2 4 0	4 0 9 1/2	44/1 1/2	34/6	13 1/2 b	2 1/2 a	40/-	39/6	8 2 0
85 1/8	76 1/8	Br. Gas 3% '90-95...	83 1/8	84*	2 4 10	3 15 2 1/2	44/1 1/2	34/6	13 1/2 b	2 1/2 a	40/-	39/6	8 2 0
96 1/8	91 1/8	Br. Gas 3 1/2% '69-71...	96 1/8	96 1/8	2 4 1	3 16 8 1/2	44/1 1/2	34/6	13 1/2 b	2 1/2 a	40/-	39/6	8 2 0
99 1/8	98 1/8	Br. Gas 4% '69-72...	99 1/8	99 1/8	2 4 7	4 0 10 1/2	44/1 1/2	34/6	13 1/2 b	2 1/2 a	40/-	39/6	8 2 0

	Official Rates	Market Rates : Spot					
	Oct. 14	Oct. 8	Oct. 9	Oct. 10	Oct. 12	Oct. 13	Oct. 14
United States \$.	2-78-2-82	2-80 1/2-2-80 1/2	2-80 3/4-2-80 3/4	2-80 3/4-2-80 3/4	2-80 3/4-2-80 3/4	2-80 1/2-2-80 1/2	2-80 1/2-2-80 1/2
Canadian \$		2-76 1/2-2-76 1/2	2-76-2-76	2-76 1/2-2-76 1/2	2-76-2-76 1/2	2-76 1/2-2-76 1/2	2-76 1/2-2-76 1/2
French Fr.	972-65-987-35	981 1/2-981 1/2	981 1/2-981 1/2	981 1/2-981 1/2	981-981 1/2	981 1/2-981 1/2	981 1/2-981 1/2
Swiss Fr.	12-15 1/2-12-33 1/2	12-1 1/2-12-1 1/2	12-1 1/2-12-1 1/2	12-1 1/2-12-1 1/2	12-1 1/2-12-1 1/2	12-1 1/2-12-1 1/2	12-1 1/2-12-1 1/2
Belgian Fr.	138-95-141-05	140-00-140-10	140-05-140-15	140-10-140-15	140-05-140-15	140-05-140-15	140-00-140-10
Dutch Gld.	10-16-10-72	10-63 1/2-10-63 1/2	10-63 1/2-10-63 1/2	10-63 1/2-10-63 1/2	10-62-10-63	10-62-10-62	10-62-10-62
W. Ger. D-Mk.	11-67 1/2-11-64 1/2	11-69 1/2-11-69 1/2	11-69 1/2-11-69 1/2	11-69 1/2-11-69 1/2	11-69 1/2-11-69 1/2	11-69 1/2-11-69 1/2	11-69 1/2-11-70
Port. Esc.	79-90-81-10	79-90-80-00	79-90-80-00	79-90-80-00	79-90-80-00	79-90-80-00	79-90-80-00
Swedish Kr.	14-37 1/2-14-59 1/2	14-43 1/2-14-44	14-44 1/2-14-44 1/2	14-44 1/2-14-44 1/2	14-44 1/2-14-44 1/2	14-43 1/2-14-43 1/2	14-43 1/2-14-44 1/2
Danish Kr.	19-36 1/2-19-48 1/2	19-36 1/2-19-37	19-37-19-37 1/2	19-37 1/2-19-37 1/2	19-37-19-37 1/2	19-37 1/2-19-38	19-38 1/2-19-38 1/2
Norwegian Kr.	19-85-20-15	19-98 1/2-19-98 1/2	19-98 1/2-19-98 1/2	19-98 1/2-19-98 1/2	19-98 1/2-19-98 1/2	19-98 1/2-19-98 1/2	19-98 1/2-19-98 1/2
One Month Forward Rates							
United States \$		1c. pm-par	1c. pm-par	1c. pm-par	1c. pm-par	1c. pm-par	1c. pm-par
Canadian \$		Par-1c. dis	Par-1c. dis	Par 1c. dis	Par-1c. dis	Par-1c. dis	Par 1c. dis
French Fr.		3-6 dis	3-6 dis	3-6 dis	3-6 dis	3-6 dis	3-6 dis
Swiss Fr.		1c. pm-par	1c. pm-par	1c. pm-par	1c. pm-par	1c. pm-par	1c. pm-par
Belgian Fr.		1 pm-1 dis	1 pm-1 dis	1 pm-1 dis	1 pm-1 dis	1 pm-1 dis	1 pm-1 dis
Dutch Gld.		1 1/2-3c. pm	1 1/2-3c. pm	1 1/2-3c. pm	1 1/2-3c. pm	1 1/2-3c. pm	1 1/2-3c. pm
Swedish Kr.		2c. pm-2c. dis	2c. pm-2c. dis	2c. pm-2c. dis	2c. pm-2c. dis	2c. pm-2c. dis	2c. pm-2c. dis
Danish Kr.		2c. pm-2c. dis	2c. pm-2c. dis	2c. pm-2c. dis	2c. pm-2c. dis	2c. pm-2c. pm	2c. pm-2c. dis
Norwegian Kr.		2c. pm-2c. dis	2c. pm-2c. dis	2c. pm-2c. dis	2c. pm-2c. dis	2c. pm-2c. pm	2c. pm-2c. dis

Industrial Profits and Assets

THE tables below continue the analysis of company balance sheets and profit and loss accounts which was introduced in *The Economist* of January 22, 1949; the figures are discussed in this issue on page 191.

Comparative analysis of 576 profit and loss accounts published July-September, 1953 (£'000)

Industry	Breweries		Clothing and Footwear		Food and Confectionery		Shops and Stores		Tobacco		Building		Engineering		Iron and Steel	
No. of Companies	(18)		(19)		(26)		(10)		(1)		(33)		(58)		(8)	
	Prev. Year	Latest Year	Prev. Year	Latest Year	Prev. Year	Latest Year	Prev. Year	Latest Year	Prev. Year	Latest Year	Prev. Year	Latest Year	Prev. Year	Latest Year	Prev. Year	Latest Year
Gross trading profit	29,678	21,688	2,753	3,138	19,038	19,574	13,310	14,538	216	177	14,574	12,862	21,977	22,127	3,782	3,021
Income from investments	1,139	960	36	38	188	178	104	100	1	3	378	640	611	516	296	404
Other current income	468	1,664	283	384	980	1,900	14	142	...	8	253	595	463	430	661	40
Non-recurring credits	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...
Total Income	31,285	24,313	3,072	3,560	20,261	21,719	13,428	14,780	217	188	15,424	14,169	23,068	23,081	4,748	3,541
Repairs and maintenance	85	101	1	2	4,378	4,488	1,080	1,137	...	18	1,980	2,303	2,598	2,925	356	403
Depreciation	2,398	2,560	305	320	5,656	6,267	4,750	5,765	72	71	4,920	4,656	7,601	8,256	1,566	1,268
Income tax (excl. profits tax)	10,078	7,798	886	1,197	5,656	6,267	4,750	5,765	39	18	2,066	1,344	3,395	2,511	593	291
Profits tax	5,419	2,292	394	396	2,574	1,246	2,124	2,401	...	...	...	...	...	...	...	...
Directors' emoluments	512	547	295	309	610	608	286	282	12	12	875	841	1,219	1,313	246	224
Administrative charges, etc.	502	509	24	48	399	322	653	468	...	...	459	520	151	168	15	23
Contingencies, provisions, etc.	1,924	981	402	140	1,448	1,349	193	68	...	...	1,434	537	756	763	834	415
Pensions	79	81	44	58	108	202	139	139	...	...	117	113	487	362	179	6
Minority share in profits	531	388	39	49	Dr. 2	6	304	285	...	...	293	202	34	85	69	52
Profits retained by subsidiaries	3,121	1,861	140	249	648	2,847	1,481	1,381	...	...	686	574	1,063	1,249	282	153
Debiture interest	1,059	1,486	68	71	171	188	95	95	...	...	126	188	102	101	5	...
Preference dividends	375	386	86	170	645	646	225	229	...	...	236	246	263	276	44	42
Ordinary dividends	3,767	3,339	265	314	1,536	1,697	625	1,051	39	41	1,359	1,441	2,002	2,197	439	115
Revenue reserves	1,292	1,303	83	133	2,146	1,412	1,372	1,318	25	25	953	703	3,011	2,335	265	1,023
Brought in (parent company)	3,399	3,551	765	895	4,221	4,555	513	615	87	98	3,593	3,301	3,639	3,964	1,168	1,023
Carried forward (parent company)	3,551	3,632	805	909	4,555	4,966	615	752	98	101	3,301	3,781	3,964	4,435	1,023	1,104

Industry	Shipbuilding		Chemicals and Paint		Electrical Manufacturing		Motors, Cycles and Aircraft		Newspapers, Paper and Printing		Miscellaneous Manufacturing		Shipping		Cotton	
No. of Companies	(3)		(10)		(21)		(22)		(17)		(83)		(5)		(3)	
	Prev. Year	Latest Year	Prev. Year	Latest Year	Prev. Year	Latest Year	Prev. Year	Latest Year	Prev. Year	Latest Year	Prev. Year	Latest Year	Prev. Year	Latest Year	Prev. Year	Latest Year
Gross trading profit	2,000	2,655	3,755	2,422	15,417	14,351	5,697	5,988	9,526	7,981	39,556	34,264	13,592	8,523	1,967	1,879
Income from investments	418	171	38	41	212	239	82	124	1,300	1,371	1,360	1,397	655	858	314	253
Other current income	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...
Non-recurring credits	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...
Total Income	2,418	3,046	4,016	2,928	16,274	17,578	6,353	6,269	9,575	42,615	36,898	14,277	9,416	2,961	3,247	
Repairs and maintenance	251	450	399	396	1,885	2,032	649	691	1,079	1,083	3,989	4,395	2,006	2,455	442	444
Depreciation	986	1,165	1,165	756	5,421	5,286	1,858	2,304	3,988	3,377	15,016	13,710	4,553	2,874	967	461
Income tax (excl. profits tax)	336	274	607	219	2,241	1,474	938	825	1,524	872	5,944	3,199	1,950	540	417	134
Profits tax	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...
Directors' emoluments	82	84	293	258	490	551	471	472	598	533	1,860	1,830	105	102	146	143
Administrative charges, etc.	1	17	16	16	356	535	64	90	72	110	411	392	21	25	...	...
Contingencies, provisions, etc.	76	41	290	479	1,796	2,240	760	564	405	509	1,639	1,519	1,080	1,000	535	621
Pensions	10	2	87	25	416	434	59	116	496	373	400	325	57	10	250	...
Minority share in profits	10	61	44	8	70	80	1	1	92	169	1,001	806	312	173	1	1
Profits retained by subsidiaries	176	259	342	Dr. 72	820	725	170	165	422	706	4,149	2,369	1,925	1,011	78	32
Debiture interest	7	10	15	25	329	342	25	32	145	143	145	164	6	6	33	32
Preference dividends	59	59	109	109	336	311	61	78	159	160	803	832	54	48	46	37
Ordinary dividends	344	347	370	328	1,122	1,345	698	721	1,326	1,278	3,450	3,949	771	757	211	255
Revenue reserves	50	50	239	343	553	1,560	408	308	699	418	2,677	2,535	906	420	...	...
Brought in (parent company)	956	986	556	596	1,790	2,148	535	548	1,545	1,662	6,040	7,096	392	493	1,093	1,148
Carried forward (parent company)	986	1,229	596	634	2,148	2,732	546	448	1,662	1,501	7,096	7,964	493	488	1,148	1,715

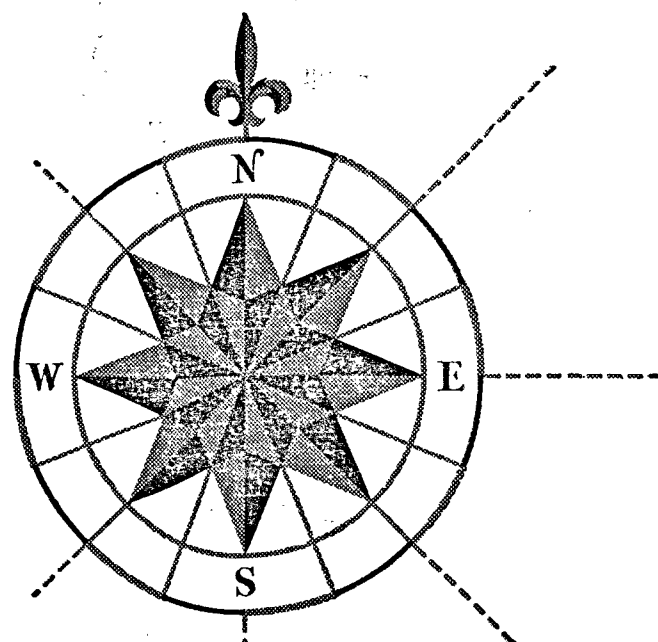
Industry	Silk and Rayon		Wool		Other Textiles		Oil		Rubber		Tea		Other Companies*		TOTAL ALL GROUPS 576 Companies	
No. of Companies	(5)		(8)		(4)		(3)		(83)		(43)		(93)			
	Prev. Year	Latest Year	Prev. Year	Latest Year	Prev. Year	Latest Year	Prev. Year	Latest Year	Prev. Year	Latest Year	Prev. Year	Latest Year	Prev. Year	Latest Year	Prev. Year	Latest Year
Gross trading profit	21,808	12,565	1,927	5,916	1,171	939	2,850	3,458	6,861	4,070	2,095	1,129	25,146	24,674	258,701	228,000
Income from investments	2,001	1,929	20	22	22	24	76	74	212	441	31	34	10,000	10,208	19,623	20,005
Other current income	45	33	...	...	...	...	...	...	79	57	16	9	121	97	405	394
Non-recurring credits	1,340	910	1,492	807	91	137	66	70	367	483	142	322	1,177	1,472	11,861	15,789
Total Income	25,284	15,437	3,439	6,745	1,284	1,100	2,992	3,602	7,519	5,051	2,284	1,494	36,453	36,451	290,590	264,188
Repairs and maintenance	133	112	...	...	...	...	...	...	9	...	...	...	308	292	808	671
Depreciation	3,790	3,098	560	683	149	194	749	847	301	181	213	371	4,064	33,259	35,559	35,559
Income tax (excl. profits tax)	7,537	4,878	682	2,187	461	288	1,097	1,155	2,315	1,577	637	556	10,820	12,301	93,412	88,153
Profits tax	3,206	646	501	418	142	72	337	367	1,436	387	418	155	4,027	2,254	40,648	22,319
Directors' emoluments	255	257	240	230	85	83	27	27	113	90	67	53	883	873	9,770	9,725
Administrative charges, etc.	114	139	6	13	28	32	14	15	227	231	202	248	1,096	1,100	4,773	5,002
Contingencies, provisions, etc.	5,294	2,320	192	1,254	197	140	155	208	1,716	1,004	165	102	1,619	1,454	22,670	17,711
Pensions	450	750	39	6	9	10	...	...	10	...	18	17	83	188	3,317	3,515
Minority share in profits	208	47	28	113	...	...	...	...	Dr. 3	...	200	...	1,323	1,227	4,388	3,950
Profits retained by subsidiaries	2,148	1,091	144	399	93	151	103	351	...	...	63	...	2,172	1,555	20,465	17,122
Debiture interest	7	7	120	119	15	40	6	6	44	37	12	11	2,520	2,567	5,054	5,670
Preference dividends	249	237	212	217	10	9	...	...	14	3	57	31	1,246	1,245	5,268	5,372
Ordinary dividends	1,609	1,570	364	541	88	100	244	332	1,112	611	324	241	4,070	4,548	26,153	28,077
Revenue reserves	80	120	277	328	48	45	80	285	373	435	257	132	2,380	1,621	18,135	16,221
Brought in (parent company)	890	1,094	996	1,066	316	275	575	635	812	676	662	610	10,831	10,721	45,194	47,664
Carried forward (parent company)	1,094	1,259	1,066	1,303	275	211	635	644	676	736	610	355	10,721	11,884	47,664	52,783

Comparative analysis of 576 balance sheets published July-September, 1953 (£'000)

Industry	Breweries		Clothing and Footwear		Food and Confectionery		Shops and Stores		Tobacco		Building		Engineering		Iron and Steel	
No. of Companies	(18)		(19)		(26)		(10)		(1)		(33)		(58)		(8)	
	Prev. Year	Latest Year	Prev. Year	Latest Year	Prev. Year	Latest Year	Prev. Year	Latest Year	Prev. Year	Latest Year	Prev. Year	Latest Year	Prev. Year	Latest Year	Prev. Year	Latest Year
Fixed assets	94,094	100,277	8,694	8,939	72,392	79,741	25,426	26,205	298	308	37,596	40,938	41,244	47,132	5,825	6,422
Trade investments	8,312	10,055	422	375	2,266	2,125	1,296	1,073	79	159	4,262	4,507	2,552	2,930	2,590	2,990
Stocks	69,750	67,825	11,294	8,661	53,842	54,280	26,488	25,629	1,876	1,529	28,331	25,770	42,630	48,327	3,111	3,354
Debtors	19,200	19,114	3,041	2,974	21,520	23,294	36,259	39,684	808	721	22,774	23,302	22,440	26,283	2,976	3,061
Net balances due to parent cos.					147	248	254	25	...	1	45	111	365	224	14	5
Gilt-edged	5,411	5,223	...	95	894	669	...	...	...	...	1,233	1,248	1,713	1,657	1,167	1,003
Cash	11,707	18,662	2,008	2,693	10,708	12,849	4,810	5,531	3	3	5,143	7,487	11,961	9,874	3,058	2,366
Other marketable investments	1,314	1,152	57	67	203	193	156	152	...	...	914	903	855	853	1,181	998
Intangible assets	6,199	5,965	1,243	1,191	7,775	7,101	2,302	2,304	35	35	391	1,067	1,374	1,176	787	783
Total Assets	215,995	228,281	26,862	24,995	169,727	180,500	96,991	101,036	3,099	2,756	100,703	105,333	127,934	138,456	20,709	21,032
Bank overdrafts and loans	733	330	2,283	929	7,711	6,840	10,516	5,545	633	657	7,017	4,959	5,661	5,442	...	25
Reserve for future income tax	10,891	11,251	910	1,304	6,023	6,520	5,464	6,846	71	70	4,918	5,042	7,931	8,965	1,064	961
Depreciation and obsolescence	19,520	22,241	2,704	2,923	24,836	28,835	4,678	5,409	79	84	10,329	12,163	14,810	17,756	1,317	1,694
Capital reserves and EPT refunds	13,355	15,682	1,082	996	6,066	5,049	8,211	7,757	229	329	11,520	13,144	9,465	9,194	2,028	1,964
Other provisions	2,762	2,347	284	277	2,835	1,335	282	429	...	...	388	387	856	808	20	...
Current liabilities and creditors	28,255	24,100	5,848	4,487	42,474	43,344	27,648	31,537	839	440	21,868	20,312	27,703	28,456	3,439	2,891
Revenue res. and carried forward	50,507	53,164	3,622	3,853	32,904	40,189	13,281	16,076	398	426	16,179	18,279	27,055	30,455	6,113	6,683
Net balances due to subsidiaries	...	...	...	...	1,784	915	21	...	...	...	23	...	6	...	...	...
Minority interests	11,714	11,388	661	823	178	370	8,081	8,661	...	...	2,017	2,572	361	662	670	686
Debiture capital	28,758	37,312	1,946	1,843	4,681	5,101	5,018	4,937	...	...	3,326	5,215	2,405	2,479	23	...
Preference capital	13,676	13,669	3,654	3,652	19,595	19,595	7,735	7,735	...	...	7,638	7,628	8,440	6,440	1,271	1,157
Ordinary capital	35,821	36,797	3,768	3,908	20,640	22,107	4,756	6,104	750	750	15,159	15,633	28,241	25,794	4,764	4,971
Total Liabilities	215,995	228,281	26,862	24,995	169,727	180,500	96,991	101,036	3,099	2,756	100,703	105,333	127,934	138,456	20,709	21,032

The premiums you pay to protect your wife and family are shrewdly invested in Britain and out of Britain, on balanced and considered plans. British industry and government stocks . . . mortgages and property investments . . . Commonwealth and other government and municipal stocks and industry overseas . . .

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Canada Calls

The immense Canadian market stands wide open for the right kind of British goods and services. The Bank of Montreal is ideally placed to provide coast-to-coast trading and financial information that is always at your service.



Over 580 Branches throughout Canada
Assets Exceed \$2,000,000,000

(Incorporated in Canada in 1817 with Limited Liability)

CONSOLIDATED MAIN REEF MINES & ESTATE, LIMITED

(Incorporated in the Union of South Africa)

Extracted from the Annual Report for the Year ended 30th June, 1953

CAPITAL £1,247,502 IN 41 SHARES, ALL ISSUED, FULLY PAID

Tonnage Milled 2,107,000

		Per ton milled
Total Working Revenue	£3,730,993	41 15 8
Total Working Expenditure	3,386,183	1 12 2
Working Profit	£344,815	20 3 3
Total Profit for the year	£338,676	
Balance unappropriated at 30th June, 1952	488,128	
Transfer from Shareholders' Contingency Reserve	2,500	
	£879,304	

This amount has been dealt with as follows:—

Funds Transferred for Capital Expenditure	£26,796
Taxation	84,349
Forfeited Dividends Account	2,523
	113,669
	£765,635

Dividends declared during the year:—

No. 85 of 2s. 3d. per share and No. 87 of 1s. 9d. per share

Leaving a balance unappropriated of

£516,116

The estimated Ore Reserve as at 30th June, 1953, was as follows:—

REEF	AVAILABLE			SHAFT AND SAFETY PILLARS			TOTAL		
	Tons.	Value, Dwt.	Width, Inches.	Tons.	Value, Dwt.	Width, Inches.	Tons.	Value, Dwt.	Width, Inches.
Kimberley Reef	440,000	2.7	59.8	86,000	3.5	66.3	526,000	2.8	60.8
Bird Reef	610,000	2.9	58.8	279,000	2.9	66.0	889,000	2.9	60.9
South Reef	525,000	3.7	46.0	131,000	3.9	47.7	656,000	3.7	46.3
Main Reef	710,000	4.4	46.7	748,000	4.5	49.2	1,458,000	4.5	49.0
Leader	410,000	4.2	53.7	44,000	3.8	60.6	454,000	4.1	54.3
Total	2,695,000	3.6	51.9	1,288,000	4.0	53.2	3,983,000	3.7	52.3

Compared with the previous year's estimate, the available reserve decreased by 1,642,000 tons the value increasing by 0.2 dwt. and the width being 1.7 inches less. Rising costs and the resultant increase in the pay limits accounted for 855,000 tons of the decrease in the available reserve. The full Report and Accounts may be obtained from the London Secretaries, A. MOIR & CO., No. 4, London Wall Buildings, London, E.C.2.

This is Road Safety Week . . .

We believe

that if all road-users

saw as much as we have to see

of the tragic consequences

of road accidents—

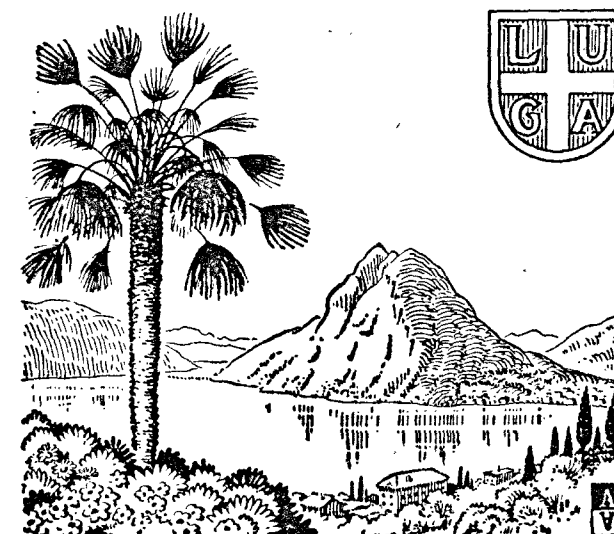
we should see fewer accidents



THE LONDON ASSURANCE

1 KING WILLIAM STREET • E.C.4

Perhaps you didn't know that
LUGANO



today a famous national holiday resort, was one of Switzerland's richest artistic centres during the 15th, 16th and 17th centuries. The great artist Bernardo Luini painted frescoes in the old abbey church of Santa Maria degli Angeli there, for which he allegedly received 29 golden Thalers (1530).

But everybody knows

that the Lugano Branch of the Union Bank of Switzerland could not advise Bernardo Luini how to make the best use of his 29 Thalers because, unfortunately, it did not exist at that time. However, were Luini alive today, the Lugano Branch would gladly place its services at his, and also of course at your disposal, in order to settle financial problems.

UNION BANK OF SWITZERLAND

HEAD OFFICE: ZURICH, Bahnhofstrasse 45

UNION DE BANQUES SUISSES

SCHWEIZERISCHE BANKGESELLSCHAFT

OVER 30 BRANCHES THROUGHOUT SWITZERLAND

Capital, fully paid Swiss Francs 80,000,000

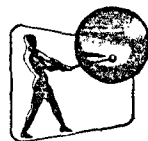
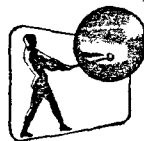
Reserves Swiss Francs 60,000,000

Total Assets Swiss Francs 2,028,983,819

Cable Address for all Offices and Branches:
BANKUNION

Company Meeting: J. ARTHUR RANK ORGANISATION

ODEON THEATRES AND SUBSIDIARY COMPANIES



FURTHER PROGRESS RECORDED—RESULTS AT NEW HIGH LEVEL

IMPROVED EFFICIENCY OVERCOMING GROUP'S PROBLEMS

PRODUCTION FUND EXTENSION NOW VITAL TO FILM MAKING

The 16th annual general meeting of Odeon Theatres, Ltd., and the annual meetings of its subsidiary companies, British and Dominions Film Corporation, Ltd., Gaumont-British Picture Corporation, Ltd., Odeon Associated Theatres, Ltd., and Odeon Properties, Ltd., were held on Oct. 9 at the Dorchester Hotel, London, W., Mr. J. ARTHUR RANK, D.L., J.P. (the chairman), presiding.

The following is an extract from his circulated statement:

In my last statement on the 1952 accounts I was able to report trading results which were an all-time record for the Group. I emphasised, at the same time, the difficult conditions through which the entertainment industry was passing and said that I could do no more than promise that we would do our best to deal with these problems and maintain our important position in the industry.

The year under review has fulfilled these expectations. There has been no relief from the unfair and unreasonable burden of Entertainment Tax, although operating costs, principally wages, have continued to rise. The impact of television has had an increasing effect on theatre attendances. I am glad to report that in spite of these problems the Group profits for 1953 have exceeded those for the record year of 1952. This achievement is in a large measure the result of the skill, imaginative anticipation of trends in the industry, hard work and foresight of Mr. John Davis, ably assisted by the management team which he has built up around him to whom great credit is due. The profits earned in the year reflect the intensive drive for economies and improved efficiency in all branches of our operations.

ODEON THEATRES LIMITED

Consolidated Balance Sheet: Revenue Reserves £2,423,441 again show a substantial increase of £1,001,796 due principally to the retention of net profits in the Group. Thus the total reserves at 27th June, 1953, amounted to £3,124,524 or over three times the issued Ordinary capital of Odeon Theatres Limited.

During the year under review Bank indebtedness has been reduced by £971,740 and now amounts to £5,804,998. Compared with June, 1949,

the aggregate reduction is approximately £10,500,000.

The consolidated trading profits, less losses, before providing for depreciation and interest, show an all-time record at £6,762,467 compared with £6,397,278 for the previous year. It is satisfactory to note from the analysis of trading profits that film production and distribution before depreciation show a profit of £155,247. This is the result for which we have been working since the disastrous days of 1949, but this result has only been achieved with the help of the British Film Production Fund. Taxation remains a heavy burden and required £2,612,257 notwithstanding the fact that relief for past losses amounting to £618,000 has been received during the year. I must emphasise that but for this tax relief the net balance available would be appropriately reduced. Virtually the whole of these past losses have now been recovered. In consequence next year's accounts will bear a much heavier charge for tax. We have paid two years' dividend on the 6 per cent Cumulative Preference Shares of Odeon Theatres Limited during the year under review. The payment is thus brought up to date—a matter of extreme satisfaction to your directors.

GAUMONT-BRITISH PICTURE CORPORATION LIMITED

The consolidated trading profits less losses for the year subject to depreciation, interest, &c., are £3,103,467 and compare with £2,895,094 in the previous year. The directors recommend the payment of a dividend on the Ordinary shares at the rate of 7½ per cent, less tax.

BRITISH AND DOMINIONS FILM CORPORATION LIMITED

The principal assets of this company and its subsidiaries consist of studios at Pinewood and Denham with their equipment, Denham Laboratories and the 5½ per cent loan of £1,750,000 to General Film Distributors Limited. I explained in my last report that it had been decided to close Denham and offer this studio for sale, and centralise the Group production arrangements at Pinewood. Denham has remained closed on a care and maintenance basis during the year under review but I am happy to report that a satisfactory arrangement has been

concluded with the United States Air Force for the leasing of this studio.

FILM PRODUCTION

We decided in the latter part of last year to terminate the agreement which we had with the National Film Finance Corporation with whom we were producing at Pinewood a group of films under the auspices of a company entitled British Film Makers Limited. We felt it was in the interests of the Group and of the Industry as a whole that we should be free and independent to produce films in the way which we felt best.

The financial effect of this policy does not mean that we are entering into heavy new production commitments.

It is well known that many new ideas in regard to picture production and exhibition are being considered in the motion picture studios of the world at this time. Your directors are fully alive to the problems which are developing and propose to watch the position closely. They will not commit themselves to any one form of new technique or theory until it is possible to assess the public reaction thereto and form an opinion as to which, if any, are generally acceptable.

It is our considered view that whilst these mechanical aids are of assistance in making films acceptable to the public they will not eliminate the basic requirement of our industry—that is the story and entertainment value of the film and whether it is presented in a form acceptable to the mass cinema-going public.

THE BRITISH FILM PRODUCTION FUND

It is with regret that I have to report that an extension of the present scheme which expires in July, 1954, has not yet been negotiated within the industry. The President of the Board of Trade in the House of Commons on the 10th March, 1953, intimated that it was Her Majesty's Government's wish that the industry should work out a voluntary scheme but if this could not be done then a compulsory scheme would be introduced. I and my colleagues have used every effort to persuade those concerned of the desirability of meeting the Government's wishes, but so far with little success.

I have said before, but it does not seem to be fully appreciated, that film production is not something which you can turn off and on like a tap at will.

Any action taken has a far-reaching effect, be it for good or ill. Consequently if we are forced to stop film production, which we may well be later this year in the absence of any agreed scheme to extend the British Film Production Fund beyond July, 1954, then that stoppage is not for a matter of months or weeks while negotiations proceed, but will affect production contemplated 12 or 15 months ahead, which will certainly not be available on the screens before that time. This inescapable fact was made very clear as a result of the debacle in film production following the introduction of the *ad valorem* duty in 1947.

I intimated last year that unless arrangements had been completed by the spring of 1953 for an extension of the scheme we would reduce our present level of production and that we would largely bring it to a standstill by August of this year. We are believers in British production and because of this and in the light of the statement made by the President of the Board of Trade in the House of Commons on 10th March, 1953, we decided to continue production beyond these dates relying on the statement of Government policy. If, however, a voluntary scheme has not been worked out within the next month or so or alternatively Her Majesty's Government has not indicated to the industry its proposals for legislation for a statutory scheme, we see no alternative than to reduce materially our production programme after the films which are now shooting and which will be coming off the floor in October or November of this year are completed. I sincerely trust that such a course of action will not be forced upon us.

[At the meeting of Odeon Theatres Limited Mr. RANK made the following additional comment:

I am pleased to advise you that since the publication of this statement, discussions have taken place between the representatives of the Board of Trade and representatives of the Four Trade Associations of the Industry, as a result of which I am satisfied that there will be an extension of the Fund, either on a voluntary or a statutory basis.

I have had also correspondence with the President of the Board of Trade, who has given us also an assurance that the Fund will be continued. I am happy to advise you that in these circumstances we do not propose to curtail our production programme, but to continue it on the present basis.]

QUOTA

I am happy to say that all our theatres satisfied their first feature quota obligation for the year ending September, 1952, and that for the year ending 30th September, 1953, they will also achieve this result.

ENTERTAINMENT TAX

I regret, notwithstanding the representations made to Her Majesty's Government, no relief was given from the discriminative burden of Entertainment Tax in spite of the industry's urgent need. I am coming to the conclusion, reluctantly, that in Exhibition the Government will allow a similar situation to develop to that which developed in Production a few years ago, namely that the production industry had virtually to go bankrupt before its basic problem was seriously considered. It is of some consolation to

know that the Chancellor of the Exchequer has stated that he will give consideration to this problem in his next Budget.

We are in the unfortunate position of "being ground between two millstones" represented on the one hand by the high admission prices we are forced to charge the public through the incidence of unfairly high Entertainment Tax and on the other hand by the steeply rising costs of operation. In this country, we took in at the Box Office this year £28,737,691 and paid Entertainment Tax of £11,136,915 as against the corresponding figures of last year of £30,018,278 and £11,808,831. We operate 550 theatres in this country and of these during the year under review 236 operated at a loss of approximately £725,000 before providing for interest on capital employed and excluding profits on the sales made in the theatres. Even allowing for profits on theatre sales an overall net loss was incurred in these theatres before charging interest on capital. This in spite of the fact that these same theatres paid £3,449,000 in Entertainment Tax. Obviously if the present situation continues we must in the interests of the shareholders close many of these theatres in order to protect the activities of our business as a whole.

EXHIBITION

In our own operation out of the 12 best films shown this year six were British. Many new mechanical aids are being developed in the industry to endeavour to combat the present difficulties, such as the 3-D films, the use of large screens, CinemaScope (the panoramic picture), &c. It is our intention not to commit our theatres extensively to any one method until such time that it has been proved by public appreciation. In this connection I can only reiterate what I have said elsewhere in this statement that the basic test must be in the long run the entertainment value in the programmes which are presented.

The competition of television continues to increase. We believe however, that this competition can be met and successfully dealt with if the industry is given reasonable working conditions in which to work out its own salvation and not be unreasonably hamstrung by the incidence of the unreasonable burden of Entertainment Tax.

Our overseas theatres, both those directly operated by us and those in which we are in association with partners, have made with one exception further material progress during the year. Attendances have been maintained and the demand from the public for British films has increased.

DISTRIBUTION

Domestic: The relationship between our General Film Distributors Limited and our exhibitor customers has been maintained at a high level of goodwill.

Eastern Hemisphere: I am happy to advise you that the cash remittances to London from J. Arthur Rank Overseas Film Distributors Limited during the past year are near an all-time record. This in itself is a great achievement bearing in mind the increasing difficulties which films are encountering all over the world as markets contract. The demand for our films has been maintained in spite of the general tendency of falling box-office attendances.

Western Hemisphere: We have maintained our position in Canada during the year under review although we have not made as much progress as we would have liked. We see signs

that the effect of television is beginning to be felt to an increasing extent. I have been far from satisfied with the results which have been obtained in the United States. The position is being examined carefully at the present time and I hope in the future to see a material improvement in the results.

STUDIOS

Our studios are in a highly efficient condition. We are watching with great interest the new production techniques which are taking place and shall adjust our methods to meet these conditions when the future is a little clearer as to the system likely to be adopted universally.

"A QUEEN IS CROWNED"

It would not be right if I did not refer particularly to this film which we produced recording the ceremony of the Crowning of Her Majesty The Queen and the reception of The Queen by her peoples when she proceeded through London. We can be proud indeed that the opportunity was ours, not only to make an historic picture but to take it successfully to the farthest corners of the earth in a way that has never before been attempted.

MANUFACTURING COMPANIES

British Optical and Precision Engineers Limited maintained its profit for the year which was an outstanding achievement in a very difficult period. There are, as you know, many new techniques in production and exhibition being developed in the cinema industry at the present time. The B.O.P.E. Group is in first-class order to meet the demands which will arise in this connection and hopes to secure large additional manufacturing orders.

Whilst we have continued to spread the activities of Cinema-Television Limited we have maintained our efforts in the development of large screen television. A record turnover and a record profit has again been achieved by Bush Radio Limited. The company's productions have maintained a high reputation for reliability resulting in a steadily increasing public demand.

THE FUTURE

I have been able to give a good account of the Group's activities for the year under review, but I must emphasise that there are many problems ahead of the industry, some of which cannot be solved by the industry itself, and it is therefore quite impossible to make any forecast as to future results.

The conditions under which the industry operates are constantly changing, and it is in such circumstances that management is proved and tested. I can say with confidence that we are in the forefront with all the new developments in technique and showmanship and that whilst the industry must obviously meet increasing competition from television we believe that the cinema will always maintain its important position in the way of life of the people of the world. The industry has to fight, however, with its hands tied by the cords of unfair taxation, but even so it is still resilient.

I believe that this Group, which is soundly established in all branches of the cinema and allied industries, will continue to give a good account of itself and, provided the problems of Entertainment Tax and the British Film Production Fund are dealt with should show a satisfactory return to its shareholders.

THE KAMUNING (PERAK) RUBBER AND TIN COMPANY, LIMITED

SIR JOHN HAY'S STATEMENT

The forty-fourth annual general meeting of The Kamuning (Perak) Rubber and Tin Company, Limited, will be held at 52-54, Gracechurch Street, London, E.C.3, on November 5th. In the statement circulated to stockholders with the directors' report and accounts, Sir John Hay, after reviewing the domestic affairs of the company, proceeded to deal with:

THE RUBBER OUTLOOK

At the beginning of the calendar year there was a widespread belief that a considerable surplus of supplies was in prospect. As the year has progressed this view has been somewhat modified. The price has for some time now exhibited an unusual stability, albeit at a level which gives only a very fine margin of profit to the best producers, with less or nothing to others. The view is now advanced from some quarters that such surplus as may eventuate will be readily absorbed in stocks and that the price may improve to a modest extent. Whether this better prospect will be realised must depend largely on the rubber policy which the USA will adopt now that buying for stockpile is virtually completed.

We had reason to hope that the transfer of the synthetic rubber industry from Government to private enterprise would be accomplished within a matter of months from now and that a condition of free competition between the two products would then ensue. The legislatures of the USA have decreed otherwise; disposal has been postponed until 1955 and then subject to conditions which may prove frustrating.

This postponement, with its doubts and uncertainties regarding the eventual outcome, serves to renew the fear that the manufacture of synthetic rubber will continue indefinitely as a Government monopoly, pressing harshly on the economy of Far Eastern territories and aggravating their political difficulties. It is only fair, however, to acknowledge that the high cost alcoholic plants have recently been closed down with a consequent contraction in output and a larger proportionate use of natural. Also that the USA rubber manufacturers have not been wholly unmindful of assurances given at the last Study Group meeting. But as I write this, another USA announcement has been issued, the effect of which would seem to be to fetter the freedom of consumers' choice as between the two products. If the claims so frequently and emphatically asserted regarding the merits of synthetic are well founded, it seems strange indeed that it should be deemed necessary to continue to protect and support it by a policy of enforcement and restriction.

As befits a great creditor nation, the USA has, in the postwar period, extended to less fortunate countries an unexampled generosity. This renders more bewildering the denial of freedom and fair trading in respect of an industry upon which depends so largely the welfare and perhaps, too, the security of the peoples of Far Eastern territories. It may well be that under conditions of free and fair trading, the synthetic product might prove a strong competitor to natural, but even so the establishment of such conditions would remove the occasion for a not unwarranted resentment, as well as dissipate the uncertainties which bedevil the rubber outlook. Natural rubber producers would then be encouraged to embark on long-term improvement programmes, stimulated to greater effort along practical lines and less disposed to seek relief by resort to doubtful expedients.

TAP & DIE CORPORATION

MR D. G. N. LLOYD-LOWLES'S SPEECH

The third annual general meeting of this Corporation was held on October 14th in London.

Mr D. G. N. Lloyd-Lowles, chairman, in the course of his speech, said: Last year I warned you that a continuance of the high level of profit then reached was not likely. You will not be surprised, therefore, to see that our net profits (subject to tax) have dropped from £470,241 to £315,814, which is, however, still above those for 1951, £295,000, and those forecast in the statement published in 1950, £235,000.

As regards the future trend of business, although sales for the last six months of the financial year were not as good as in the first six months, there has been an improvement in trading conditions since, which it is hoped will gather momentum as the year progresses.

Last year our products accounted for some 37 per cent of the total exports in this trade. We are now facing strong competition and it is clear that neither we nor any other exporters can retain our customers unless we are prepared to reduce prices. We in this country have too long relied on quality as the main selling point. The majority of our overseas customers are not willing to pay extra for this. Unless British manufacturers can cheapen production we may be priced out of many Continental markets. So far as your company is concerned, important changes taking place with a view to increasing efficiency and lowering costs will help us to meet this competition and any difficulties in the future.

The report was adopted.

SIR WINSTON CHURCHILL'S WAR MEMOIRS

The Sixth and Final Volume

IN the context of 1953 this last volume of Sir Winston Churchill's War Memoirs is the most enthralling.

It is an account not so much of the series of great victories that ended the War as the story of the personal negotiations between Churchill, Stalin and Roosevelt, and later Truman, about the shaping of the post-war world.

In American eyes, at least, the word Yalta has become synonymous with Munich. Sir Winston now tells what really was agreed there and in what manner the Russians voided their pledges.

Equally absorbing is his account of how the Western armies failed to carry out the occupation of Berlin, Vienna and Prague, all of which would have had a profound effect upon the present situation. How, too, America's feeling that British "ambition" after the war must be curbed led to fatal divergence between American and British dealings with Russia.

The whole volume is summed up in Sir Winston's words "How the Great Democracies triumphed, and so were able to resume the follies which had so nearly cost them their life".

That is why he has named it—

'TRIUMPH & TRAGEDY'

Begins

Friday, October 23rd in the

Daily Telegraph



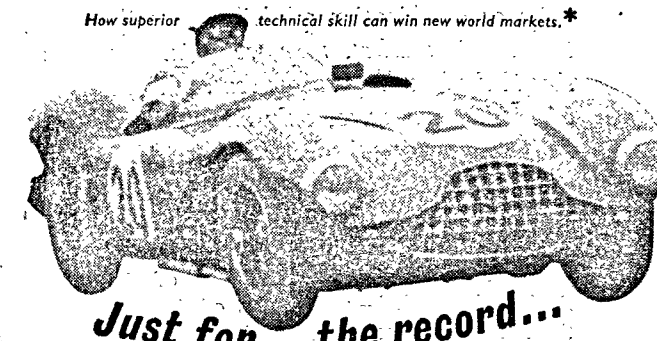
Your luxury
after the
shave

For a skin that sighs with relief and almost purrs with satisfaction use Imperial Leather After Shave Lotion. You will like, too, its fine unobtrusive perfume. From all good shops.

Imperial Leather toilet luxuries also include Shaving Sticks, After Shave Talc, solid and liquid Brilliantines and the famous toilet soap.

Cussons IMPERIAL LEATHER Toilet Luxuries

How superior technical skill can win new world markets.*



Just for the record...

SEPTEMBER.....	R.A.C. International Ulster Tourist Trophy.....	1st, 2nd, 5th, and 6th
AUGUST.....	Goodwood International 9-Hour Race.....	1st and 2nd
AUGUST.....	Charterhall Sports Car Race.....	OUTRIGHT WINNER
JULY.....	Silverstone (Daily Express International Sports Car Race).....	1st, 2nd, 3rd, New lap record
JUNE.....	British Empire Trophy, Isle of Man.....	OUTRIGHT WINNER New average and lap records
MAY.....	Charterhall Sports Car Race.....	OUTRIGHT WINNER
MAY.....	Silverstone (Daily Express International Sports Car Race).....	1st, and 2nd in 3-litre Class 3-litre Lap Record
APRIL.....	Mille Miglia.....	1st British Car
MARCH.....	Florida 12-hour Race.....	1st in 3-litre Class
* NINE OUT OF TEN ASTON MARTINS GO OVERSEAS		
The Aston Martin is yet another David Brown product which successfully attacks overseas markets because it is good engineering in the best British traditions.		
1st British Car 2nd in General Classification 2nd in Index of Performance		

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PHILIPS ELECTRICAL INDUSTRIES LIMITED

have the following vacancies:

PLANT PERSONNEL OFFICER at a new factory to be opened shortly in the North of England. This is a pioneer position and the department will be expected to cover the whole range of the personnel management function. The factory will eventually employ about 1,500. This vacancy is only open to men.—Ref. A.1.

PERSONNEL OFFICER at a large plant in the London area. The officer will report to the Plant Personnel Officer but will cover the full range for a section of the plant and while being a member of the P.D. team will have a considerable degree of independence. The vacancy is only open to men.—Ref. B.1.

PERSONNEL OFFICER at a large plant in the London area. The officer will report to the Plant Personnel Officer but will be specially responsible for assisting technically qualified junior managers with the personnel aspects of their work. A mature man is required in the sense that he grasps the significance of social change and appreciates its resulting responsibilities falling upon men already taxed by the technical problems facing a rapidly developing industry.—Ref. C.1.

CENTRAL PERSONNEL DEPARTMENT. There is a vacancy for a senior assistant who, while working as a member of a team, would have special responsibilities for salary and grading control throughout the group. There is a well-developed salary policy and the company is anxious to keep it advanced and up-to-date. A man is preferred for this vacancy but a woman with suitable qualifications and experience would be considered.—Ref. D.1.

The company is anxious to fill all these vacancies with people of considerable experience who are forward looking and keenly interested in the work. Breadth of experience rather than specialist knowledge is especially desirable for the first two.

Applications should be sent, quoting appropriate Reference, to Mr D. F. Hutchison, Central Personnel Department, Philips Electrical Industries, Ltd., Century House, Shaftesbury Avenue, W.C.2.

ECONOMIC RESEARCH ASSISTANT required by International Wool Secretariat. Applicants should have a 1st or Upper 2nd Honours Degree in Economics, with some branch of economic theory as special subject. Starting salary £175-£600 with superannuation benefits. Apply, in writing, giving reference and full particulars of qualifications, experience, etc., to the Secretary, International Wool Secretariat, Dorland House, 13-29, Regent Street, London, S.W.1, marking cover "Confidential E."

THE INTERNATIONAL LABOUR OFFICE, Geneva, invites applications for posts of translator. Qualifications required: 1. Mother tongue, English; 2. Age between 23 and 35 years; 3. University education or equivalent experience; 4. Extensive knowledge of French and Spanish.—For further particulars and application forms apply, enclosing stamped addressed foolscap envelope, to the International Labour Office, 33-39 Parliament Street, London, S.W.1. The closing date for the receipt in this Office of completed application forms is November 14, 1953.

THE CANTON INSURANCE OFFICE LIMITED

CHANGE OF NAME

As the present name is no longer appropriate, The Canton Insurance Office Limited, a British Company established in 1936 and having had its Head Office in Hongkong for over 100 years, will change its name from November 1, 1953, to the LOMBARD INSURANCE COMPANY, LIMITED. Matheson and Company, Limited, Agents, 3 Lombard Street, London, E.C.3. Underwriting Room: 3/4 Lime Street, London, E.C.3.

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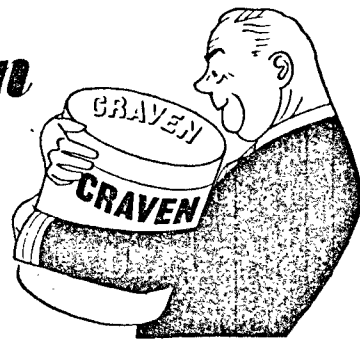
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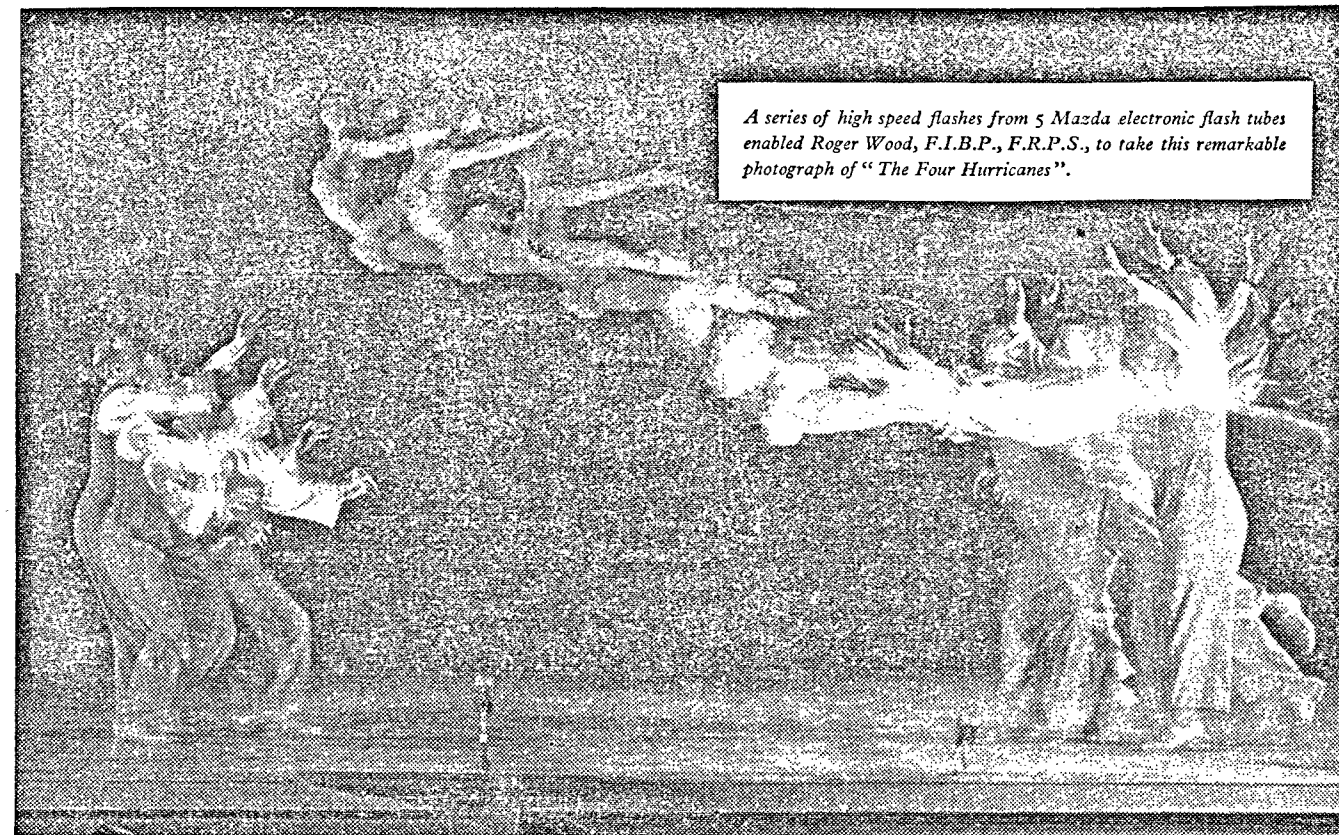
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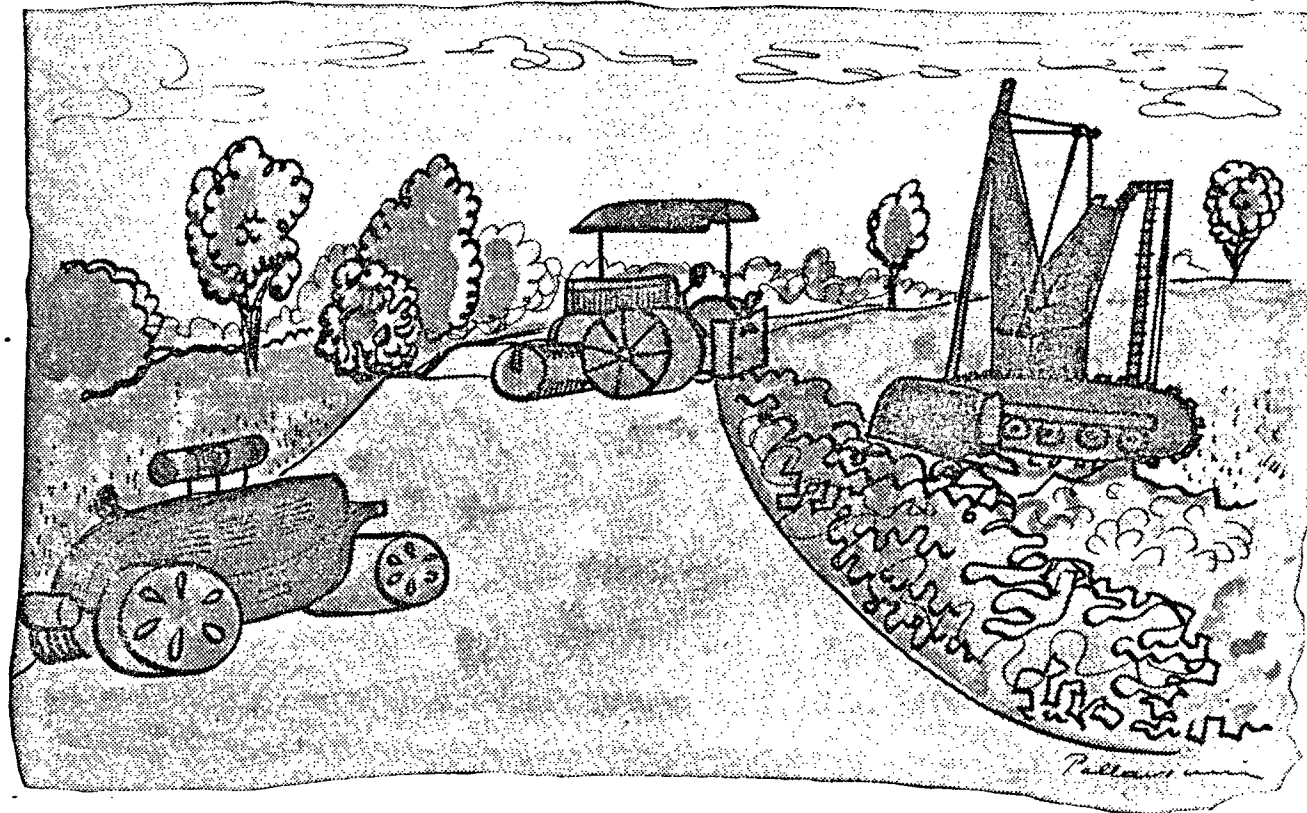
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OCTOBER 24, 1953

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Korean Deadlines

FROM Korea, this week, come distant but clear reminders that there is still no more explosive problem than that of the Far East. New anxieties in Europe have lately drawn attention away from the fact that a million and a half armed men are still poised behind the former Korean battlefronts. Although diplomatic representatives are due to meet at Panmunjom on Monday, the Korean political conference itself is not yet in sight; and next Wednesday the world will have crossed the deadline originally set for that conference. South Korean officials are now dropping heavy hints that Mr Rhee's promise to respect the armistice is already made void by this delay. The question must at once be asked whether the whole precarious structure of agreement that halted the fighting is now in danger.

Three months have passed since the signing of the armistice, and people may well be forgiven if they have lost track of the complex arrangements that it set in train. In those arrangements, and in the undertakings given by various parties concerned, periods of ninety, sixty, and thirty days were piled one on top of the other to such an extent that officials actually handling the affairs of Korea must now be working with profusely marked calendars and muttering "Thirty days hath November. . . ."

The clear, if intricate, chronological pattern envisaged in the armistice has been overlaid not only by subsequent agreements and pledges, but also by distracting divergences. As far as Britain is concerned, the superficial impression left on the public mind by the course of Korean developments since July 27th is somewhat as follows. First there was the exhilaration of getting the exchange of prisoners started. There followed a brief period of sharp exchanges about the sixteen-nation pledge, signed at the same time as the armistice but not published until August 7th, to resist any fresh Communist attack in Korea. Then, with the convening of the United Nations Assembly, the argument about Indian participation in the political conference swept all else aside; and, by the time that had died down, attention was focused on the extraordinary scene in the demilitarised zone, where 22,000 Chinese and Korean prisoners had been brought to decide their fate.

None of these episodes was strictly relevant to the main question of a Korean settlement. It may, indeed, be said with some truth that a settlement is no nearer now than it was after the signing of the armistice. That does not mean that nothing has been achieved since July. When the United Nations signed the armistice, it sought four main objectives: to stop the fighting, to rescue the prisoners from North Korea, to ensure that the prisoners in its own hands could choose where they should go, and to protect Korea from further ordeals. It has been substantially successful in the first three of these aims, although there is disturbing evidence that the Communists have not produced all their prisoners; and not until January will the men

now in Indian hands be set completely free. However, the progress made under these three headings is in striking contrast with the lack of motion towards a general settlement. Yet, paradoxically, a general settlement along the-only lines that are possible in present circumstances would involve less definite action than has been required to solve the problems concerning prisoners. For, as things stand, the only conceivable "settlement" must take the form of the *status quo ante*. The peaceful reunification of Korea remains hopelessly out of reach.

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If, then, the only prospect before Korea is a freezing of the present state of division, who stands to gain by obstructing an agreement on those lines? President Rhee evidently thinks that he does. It must never be forgotten that, according to his own account, he swallowed the armistice only because he was sure that the Americans would join him in a new campaign if, at the political conference, the Communists rejected unification on his terms. As late as the end of September, he was reaffirming that, if the conference failed to achieve unification within ninety days from its opening,

we shall naturally resume the battle for our national independence and unity. . . . We expect all friendly forces now in Korea will assist us towards that objective if the Communists force us to resume the war.

However, no assurance of such help has been given. When Mr Dulles hastened to meet him in August, Mr Rhee evidently expected, at the very least, two American promises: first, that United States troops would be kept in Korea as long as he wanted them; second, that Washington's representatives would automatically follow South Korea's out of the political conference after ninety days. He was given neither. In the mutual security pact and supplementary agreements that were drawn up in Seoul in August and signed in Washington on October 1st (but which have not yet been ratified), the United States undertook only to act against any attack on South Korea, to keep troops in Korea only as long as it thought fit, and to withdraw from the conference with South Korea only if it thought fit. Mr Dulles made it clear that the United States would not automatically resume fighting after withdrawing from the conference; he also explained that the security pact would not prevent American troops being taken out of Korea if a general agreement on withdrawal of forces was concluded. These were by no means the kind of automatic assurances that Mr Rhee had sought; yet they sufficed to win from him an undertaking to respect the armistice for the time being. If the political conference had begun work before October 28th, Mr Rhee would have been bound to give it a fair chance for ninety days; and that would at least have carried things past the vexatious business of "explanations" to prisoners.

Blame for the fact that the conference has not yet started can now be laid squarely at the door of the

Communists. Their only response to the UN invitation has been to reiterate conditions that they already knew to be unacceptable. They still insist on the attendance at the conference of India, Pakistan, Indonesia and Burma—which implies the non-attendance of South Korea—and on a broadening of the agenda that would enable China to make a Korean settlement depend on the satisfaction of its ambitions in other directions. It may well be that the United Nations would have been wiser to endorse Indian participation; but that does not alter the fact that the Communists, by piling up new terms, have done their utmost to make a conference impossible.

In paragraph 60 of the armistice agreement, the military commanders recommended to the governments on both sides that, within three months of July 27th,

a political conference of a higher level of both sides be held by representatives appointed respectively to settle through negotiation the questions of the withdrawal of all foreign forces from Korea, the peaceful settlement of the Korean question, etc.

Apart from Communist reluctance, there has been nothing to prevent a conference of this character from being convened before October 28th.

When the armistice was signed, it was possible to hope that the same factors that had led the Communists finally to sign it would lead them also to co-operate in reaching a settlement. Now, regrettably, it is clear that those factors do not apply. Nor is it difficult, at this stage, to explain the Communists' obstructive attitude. The armistice relieved them from military pressure without weakening their iron discipline; but the same relaxation of pressure produced in the non-Communist world a revival of many differences of opinion that had been suppressed only for the duration of the fighting. To the Communists Mr Rhee is a godsend; the UN dispute over Indian participation was another; the friction between Americans and Indians in the prisoner-of-war camps a third. They have had considerable success in diverting attention to these matters and away from their own intransigence.

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However, they have not yet succeeded in so embroiling their antagonists among themselves as to make a settlement impossible. More than one of Mr Rhee's deadlines may yet be passed without disaster. The South Korean president has already shown signs that his bite is less effective than his bark; and the recent demonstrations against him by the widows of his soldiers suggest that his army would not go into battle again with all the enthusiasm he desires. Again, the latest developments in the prison camps seem to indicate that the worst dangers of conflict between the Indians and the Americans have passed. However, the nations that fought side by side during the three-year campaign will have to stand closely together throughout this new time of testing. Only patience and resolution can bring about the first United Nations peace.

A Fresh Start for Kenya

AFTER twelve months of an official state of emergency and a longer period of violence and bloodshed, the forces of law and order in Kenya now have the upper hand. So much is clear from the Governor's speech to the Legislative Council this week. A large part of it was, it is true, given up to security measures. But they are measures for consolidation and for preventing a recurrence of violence in areas pacified, rather than for carrying on the present campaign; and the rest of his speech was concerned with long-term plans for rehabilitation and development. In the past, the Kenya Government has been criticised for being so concerned with the immediate emergency that it failed to show how it would tackle the deep-seated causes of Mau Mau once peace was restored. That criticism cannot be made of Sir Evelyn Baring's speech this week.

All this means that Mau Mau is now on the defensive, not that a speedy end to the emergency can be looked for. During the year of violence the chief sufferer has been the African himself. Whatever their ultimate object, the Mau Mau terrorists have pursued it by inflicting heavy casualties on their fellow Kikuyu. Their bands steal white farmers' cattle, but they have concentrated their killing fury on Africans. Hundreds of Africans have been hacked to bits, burned alive, buried alive, strangled and decapitated. Mau Mau's method of achieving its ultimate aims is to impress on the Africans that it is stronger than the white man's government, police and soldiers. So far it has certainly proved far more ruthless.

It is significant, therefore, that part of the Governor's speech was concerned with impressing on the Kikuyu that the Government has more power than Mau Mau's leaders. The drastic penalty of forfeiture of their lands is to be imposed both on those convicted of offences showing them to be closely concerned with the direction of Mau Mau and on certain gang leaders still at large. This land will be put to public purposes—for schools, clinics or agricultural experiment. A penalty of this gravity shows that there are certain Mau Mau leaders whom the Government considers irreclaimable. Equally important are the measures proposed to reclaim the thousands of Kikuyu who have gone back to the reserve and all those who have become the shuttlecock between security measures and terror tactics, shifted from place to place, evicted from one because they are believed to be tainted with Mau Mau and unable, for the same reason, to enter another. The Commissioner for Community Development has been put in charge of a special "rehabilitation department" which, applying the tactics used in Malaya, will attempt to win back those "whose minds have been polluted with Mau Mau propaganda." For the Kikuyu reserve itself the Provincial Commissioner will be given a special staff to undertake the work of reconstruction and of maintaining peace. The Governor also gave the welcome

promise that loyal Kikuyu will be encouraged to play a part in the restoration of their homeland. In the remarkable growth of the Kikuyu home guard Mau Mau produced its own "antibody," and the Kenya Government has wisely recognised that, given encouragement and trust, these Kikuyu can be of more use in combating the poison of Mau Mau than an increase in the police and security forces.

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These, then, are the main measures for restoring and enforcing security. But they cannot be completely successful without a long-term plan for building up Kenya's resistance to another such attack. Although it has been the Africans who have borne the brunt of Mau Mau's savagery, the Europeans cannot disclaim responsibility for the fact that it existed and for the ease with which it obtained a hold. They have assumed the leadership of the colony and prided themselves on it; yet Mau Mau can be regarded as the result of their failure, extending over many years, to understand African feelings and to take responsibility for the effects of European civilisation on African culture. The settlers have consistently blamed the Africans for "not measuring up to the job," for lack of gratitude, for unteachability. But, in reality, this attitude condemns the settlers, who are supposed to supply the wisdom and forethought of the leading race. The Kikuyu became increasingly overcrowded in their reserve, but not enough was done to find them more land, to teach them better husbandry, or to find them alternative employment. Between them, the European communities in Kenya, official and unofficial alike, failed to see that the situation had become intolerable in Kikuyuland. Because the Kikuyu reserve abuts on the white highlands, the contrast between the two areas made that failure visible to African eyes. The immense difficulty of the race problem is not an excuse. Settlers and officials took it on, of their own free will, by the act of going to Kenya.

Settlers as well as officials have, therefore, to shoulder responsibility for Kenya's future once the emergency is over. The work of economic expansion and social reform, which was started immediately after the war, will have to be carried on at an accelerated rate, even though it will mean higher taxation. Broadly, the process has been to teach the growing African population better methods of cultivation, while meeting any deficit in subsistence agriculture from the more efficient large-scale farming of the highlands; to improve African education and training; to find and settle, where possible, more cultivable land by irrigation or clearance; and finally to provide, through the steady industrial expansion of the country, alternative employment for the Africans who have moved to the towns.

Sir Evelyn Baring enlarged upon this programme in his speech to the Legislative Council. In particular, he announced that in the highlands the system of squatters will be replaced where possible by cottage labour. Africans will live in small groups of houses on the farms where they work, forming in some instances small villages which can be provided with essential services. He also dealt with the measures needed to enable the Kikuyu reserve to support an increasing Kikuyu population, and he mentioned an experiment in consolidating land holdings by giving efficient farmers special land titles.

The difficulty about this programme is that it will be very costly, and even if financial help is forthcoming from Britain—as the Governor suggested—it will take a long time to put into effect. Each remedy, moreover, brings problems of its own. For instance, in spite of the emergency industrial development is still going on; but it cannot provide jobs fast enough for all the Africans displaced from the reserves and it creates a shocking housing shortage for those who do find employment. Moreover, there is a particular difficulty in finding land for the resettlement of the surplus Kikuyu population. Irrigation of land on the Tana river may cost £200 an acre or, say, £600 to £800 to settle one family. This compares with the investment of £25 per acre which Mr L. G. Troup estimated to be necessary in order to raise the production of the European highlands (exclusive of plantation crops) from £6,645,000 to £28 million. To bring technology to bear in conditions of modern and of primitive farming are two completely different things.

Yet there is no alternative but to persevere, and to hope that Kenya's problem can be solved by all-round development of the colony's economic resources, which

are great and still in some ways unassessed. Mr Troup reported, for example, that production in the highlands could be tripled in ten years; and the geological survey is producing some hopeful results. But it is doubtful how far this development can go on until trust, respect and social harmony are restored between the races. All communities should accept the fact that Kenya needs the presence, indefinitely, of an industrial and agricultural managerial cadre of Europeans.

To put it bluntly, the process of "rehabilitation," which is to be applied to the Kikuyu, will *mutatis mutandis* have to be applied to the other races as well, and it is unfortunate that no recognition of this appeared in the Governor's speech. He took the Africans to task for adhering to Mau Mau and for believing that prosperity could come without their having to work hard for it. But he made no suggestions for a change of attitude in the Europeans. Yet a new outlook on leadership is clearly called for. Throughout East and Central Africa, there are a surprising number of African political leaders who remain quite moderate in their views. But when they ask for a progressive implementation of "partnership" between white and black, they mean what they say. If these "moderate" leaders find themselves, as an African has put it, "talking down a toy telephone" into unreceptive white ears, they will lose heart and probably be replaced by much tougher elements. Once that happens, the Europeans, so few in numbers, will find themselves in an exceedingly difficult position. There have fortunately been some signs that Kenya's year of terror has persuaded men of all races to look at their country from a new angle. The Kenya Government's measures will have to be inspired by this new vision if they are to lead to peace as well as economic advance.

Storm over Livestock

MEAT has become the crucial test of the Government's general policy of stopping state trading in food and letting the mechanisms of the market operate for farm produce, while honouring the obligations to farmers embodied in the Agriculture Act of 1947. The test is, indeed, the proper one. Livestock is the branch of British farm production where consumers stand to gain most from the restoration of a market which would reflect for producers the wide variety of their individual tastes and pockets. But livestock marketing is also the matter on which the National Farmers' Union feels most strongly. After its advertising at the Conservative conference, the issue is being thrashed over again in the departments; if the Government has not yet made up its mind, it must do so quite soon, since the intention of removing controls and meat rationing next summer has become known and could not now be set aside without doing the Government considerable harm politically.

There is no question of restoring a free market and leaving the farmers' incomes to be determined solely by it. At the least, they will also have a system of deficiency payments, under which the Government would promise to bridge any gap between the average prices prevailing on the market and the minimum prices endorsed by the Government in its annual review of the agricultural position. This method gives to the farmer the minimum of security which he rightly expects without taking from the consumer any of the benefits of a free market. It is already being applied to the marketing of cereals and it is equally applicable in principle to the marketing of livestock, where its use has been commended by the representatives of the meat trades. The National Farmers' Union, however, has flatly declared that it will not tolerate a system of deficiency payments for livestock—although what right it has to make such a threat, or how it could be enforced, remains obscure.

The union has now brought forward a new scheme of its own for livestock marketing. This provides for two alternative methods of marketing to exist side by side, for an experimental period of three years or so; meanwhile the situation would be reviewed by a new committee of inquiry. Under one alternative, live cattle and sheep would be bought from the farmers at fixed prices by the Government, and then sold by the Government at auctions. Under the other alternative—the one the farmers prefer and hope will eventually prevail—livestock would be dispatched directly to slaughterhouses and sold on a dead-weight basis to a producers' marketing board, which would have exclusive responsibility for its subsequent disposal. Pigs would be dealt with solely by the second method.

The union blandly describes these proposals as a compromise, when they are in fact nothing of the sort. They are a nice example of the heads-we-win, tails-you-lose philosophy. The proposed restoration of livestock auctions is apparent, not real. A market with the Government as sole seller would not reward the farmer who produces what the consumer wants when he most wants it. It would transfer the risks of marketing to the Government, leaving it to carry any loss incurred at the livestock auctions and also, presumably, to make good any deficit incurred by the producer marketing board. On pigs, which are not to be entrusted to even a nominal free market, the loss would presumably be substantial.

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Ministers surely cannot take these proposals seriously, except for the light which they shed on the farmers' state of mind. Even on this point, however, it is important that the signs be read aright. Without question, most—not all—farmers have a genuine horror of returning to the type of free market in livestock which existed before the war. Their bargaining position *vis-à-vis* the butchers was then weak. The market situation today is fundamentally altered. The consumption of meat is still below its prewar level, yet with full employment and the redistribution of incomes the potential demand is almost certainly higher than before the war. And while the volume of meat imports will no doubt fluctuate with prices and the state of the balance of payments, the quantity is unlikely to be greater and may often be less than before the war. As long, therefore, as they can produce meat at prices bearing some reasonable relation to other prices, British farmers will generally face a sellers' rather than a buyers' market; and the greater their efficiency in meeting consumers' requirements the better still become their prospects. In such changed conditions, the farmers' preference for fixed prices, insulating them from the market, must be regarded as an unrealistic failure to see the possibilities open to them.

Though farmers often talk as if prewar auctions and butchers' rings were the same thing, it is doubtful whether the power of the rings was often great or con-

tinuous. In a sellers' market it cannot be—unless the NFU succeeds in reviving it by the scheme for making the Government the sole seller, in which case the buyers might indeed seek to combine. Moreover, quite apart from the state of demand and supply, the effect of the long period of control will almost certainly be to reduce the number of small livestock markets, where the rings exerted their pressure. The legacy of control also suggests that the farmers who dislike auctions will enjoy increasing scope for contractual sales direct to slaughterhouses.

Behind the markets, moreover, there would lie the system of deficiency payments which—however much farmers may fume about it—would give them a real measure of protection that they did not enjoy before the war. It is true that, since the payments have to be averaged out over the whole range of livestock transactions, they cannot be used to guarantee a specific price to any individual producer. But to ask for more is to say that the farmer who is less efficient than his fellows in satisfying the market ought not to get any less in consequence. This is the spirit of self-protection run riot, at the expense of the efficient producer as well as the public. Deficiency payments give a perfectly good guarantee of profitable returns to the average run of farmers. To provide more than that is to deny the virtues of competition. And to deny the virtues of competition, even for the sake of votes in rural constituencies, would surely be to take the life out of the Conservative Party in the long run, even if not to discredit it in the short run.

That the farmers' fears of free marketing are unreasonable does not, of course, make them less real. But it is curious that while trade unionists and industrial employers are continually being asked to abandon prewar prejudices and restrictive practices, Bourbonism among farmers is so widely accepted. The Government is understandably afraid of an open breach with the farmers. Quite apart from the electoral repercussions of such an event (which are probably greatly exaggerated), its agricultural policy is based on close co-operation with the farmers' representatives. The extreme sanction of the farmers' displeasure would presumably be wholesale resignations from the county agricultural committees. And this loss of confidence might be reflected, it is said, in reduced investment and perhaps even in an actual fall in output.

But if these dangers cannot be ignored, they seem to get more weight at Westminster than they warrant. The NFU's bark is habitually much stronger than its bite, and it is open to question how far its intransigence might be matched by the resistance of ordinary farmers. In any event, it is surely not beyond the Government's power to dispel most of their fears. The protection given by a deficiency payments system is obvious enough if Ministers have courage to expound it. There would have to be also, no doubt, some generous initial gesture. Fortunately, demand is strong enough to make it reasonable to promise that for two or three years at least the standard prices for cattle and sheep

would not be reduced below the present guaranteed prices—though the same promise cannot be given for pigs.

The Government can also sincerely accept the farmers' case, and at least save the NFU's face, to the extent of agreeing that the prewar system of marketing was responsible for some unfairness, waste and inefficiency. It would be entirely right to attempt to improve the physical facilities for marketing, and to this end an independent regulatory committee should be set up. It would be responsible for grading all livestock, on either hoof or hook at the farmer's wish, in order to provide an independent guide for both buyers and sellers; it should have licensing powers, controlling the number and location of markets and slaughter-houses; and it should be generally charged with responsibility for suggesting ways of improving distribution.

Without doubt the farmers will also expect the Government to honour its election pledges by permitting the formation of a producers' marketing board.

On Israel's Frontier

ONCE again the Palestine problem has been thrust on public attention in brutal and frightening fashion, and last Monday the Security Council returned without enthusiasm to the persistent question—how is there to be a *modus vivendi* between Jew and Arab unless it is imposed and maintained from outside by unchallengeable force?

The question is revived by an outrageous act of violence on the part of the Israelis. On the night of October 14th, they violated their frontier with Jordan in retaliation for a stream of Arab violations on a scale smaller but so steady that they have sapped the morale and snapped the nerves of the Jews. A heavily armed Israel force crossed the frontier, penetrated into the heart of a village called Qibya, burnt and demolished over forty houses and killed forty-two men, women and children; it also shelled two other villages. Qibya lies in the frontier region where nerves are tautest—the area of low hills adjoining Israel's wasp-waist opposite Qalqilya, where Arab territory comes to within 10 miles of the sea, and where Arab villages are at their most destitute because they have lost their former lands and livelihood in the coastal plain.

By a coincidence, a second major frontier trouble has come to a head simultaneously in the dispute over sharing the waters of the Jordan river and its tributary the Yarmuk. At Lake Huleh, in the extreme north, the Israelis have long been draining marshes which border with Syria, for the purpose of land settlement, power development, and preventing loss of water by evaporation. By providing this extra water they claim that they will enhance their right to future privileges. The scheme has entailed digging a new channel which must run through a zone at present demilitarised. Lately, the new chairman of the United Nations

The farmers claim that they can improve the efficiency of the livestock industry by devising sounder methods of marketing and slaughtering. There is every reason for letting them try to do so, but not for giving them statutory powers to compel all producers and distributors to join their scheme. Producer-controlled marketing monopolies were a desperate and unfortunate expedient of prewar depression, quite unjustified in the changed circumstances of today. It would, however, be reasonable and timely to amend the Agricultural Marketing Acts so as to assist the formation of producers' co-operatives on a voluntary basis.

These considerations are secondary to the main issue. The advantages of a free market, which it is the Government's aim to realise, cannot possibly be reaped under the farmers' proposals or indeed under any scheme that has yet been advanced save that of deficiency payments. The Government's task should be to hold firm to the principle of free markets while giving farmers those assurances that are reasonable and adequate.

Armistice Commission, the Danish General Bennike, has ruled that this channel is an unfair diversion of water and that digging must stop. His order has been defied and, in consequence, the United States Government has deferred allocation to Israel of urgently needed sums made available under the Mutual Security Act. According to Mr Dulles, this decision has nothing to do with the Qibya attack but resulted from the "cumulative effect" of evidence that the Israeli Government defies such UN rulings as do not suit it. He was doubtless thinking also of its recent decision to move its foreign office to Jerusalem despite a Trusteeship Council injunction not to prejudice that city's future status; and despite the advice he gave during his Middle Eastern tour. All told, considerable provocation has been given, and the Israelis have only themselves to thank if other tempers besides their own have reached the state of exasperation expressed in the British and American Notes delivered this week.

The crux of the water problem is the disposition of both Jews and Arabs to put politics before economics, that is to say, to persist with separate schemes that were described in *The Economist* of June 20th. Since then Washington, which would have been the principal source of funds for both schemes, has produced a "comprehensive desk study by the Tennessee Valley Authority" which, being a plan of unified development for the region, ignores politics and is an engineer's dream. It is safe to predict that neither government will like this as much as a scheme entirely within its own control; but since neither can finance even its own scheme without western aid, whoever paid the piper could to some extent call the tune. A settlement of this matter is feasible only if such pressure is exercised effectively and persistently from outside.

The human situation in the other danger zone—the frontier settlements and villages to the north and south of Qalqilya—is one the full tragedy of which no "desk study" can convey. On the Jewish side of the frontier, where the land is flat and the soil fertile, there lie sprinkled like orderly clusters of lump sugar the endless little white or corrugated aluminium homes that are Jewish agricultural settlements. They house new and often inexperienced farmers, pampered by the Jewish Agency, which is the body responsible for persuading newcomers to take to agriculture. These settlers have, on the whole, much better tools than the previous owners of these frontier fields, but they are not yet such natural or skilled farmers.

The Arabs on the other side of the border are crowded into villages which contain perhaps twice or three times their normal complement because they have taken in refugee cousins or friends. These villages have lost their lands in the plain and with them all, or nearly all, their prosperity. Their inhabitants are not refugees in the UN sense of the term, because they have not lost their homes; therefore they do not receive UN rations. They exist on meals of vetch and on occasional distributions of soup and clothing from Christian missionaries. Everywhere there is unemployment, overcrowding and starvation.

Unequal economic conditions on either side of a frontier are a proverbial source of international trouble. When, as here, the frontier is marked only by white stones across which all can behold the inequality, and when the lands on the richer side used to belong to the men on the poorer one, tragedy ensues. The dispossessed cross the line to help themselves to what they regard as their rightful property. These forays by individual Arabs take place almost nightly: the booty is a piece of roofing, a length of metal piping, a sack of oranges, or even perhaps a mule. Destitute men will risk their lives for such things: if caught, they are likely to be shot; if surprised, they defend themselves and may well commit murder. On the Jewish side these incursions are dreaded by the frontier settler. He is new to farming, and his daily burden is multiplied by the necessity of bringing in every piece of equipment every night.

★

The Israel Government argues that there are far more Arab than Jewish violations of the frontier. This is true. Between June, 1952, and June, 1953, the Mixed Armistice Commission ruled against Jordan in 159 cases and against Israel in only 25. But number can be outweighed by scale. The Mixed Armistice Commission's list of incidents contains many such as that in which an Arab peasant, taking a short cut from field to field in daylight across a tongue that is now Israel, was challenged by nine Israel soldiers, started to run, and was out of hand shot dead from behind. It would take many such incidents to offset deliberate army

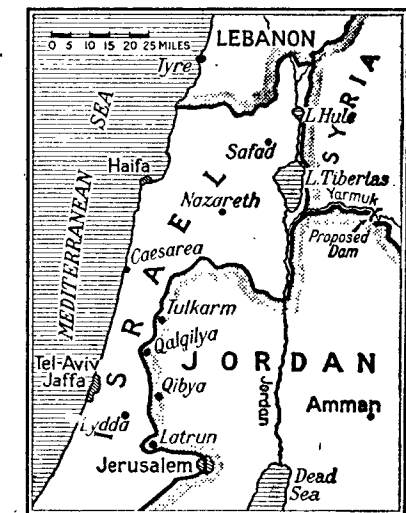
onslaughts on whole villages. Admittedly the Mau Mau climate created by Arab incursions is an immense strain on Israel's settlers, and threaten the economy of the country. This is why retaliation is officially planned and executed.

About Qibya, Mr Ben Gurion has broadcast the equivocal statement that the attackers were frontier settlers mad with rage at recent murders, since "not a single army unit was absent from its base on the night of the attack." General Bennike, by contrast, mentioned on his way through Beirut this week that inquiry had proved that regular forces were engaged. The world awaits his evidence. The force that conducted a similar though smaller attack on the village of Falama, near Qalqilya, in April were soldiers; for when forced to retreat they left behind them the kind of equipment—for example, a Bangalore torpedo—not available to settlers. Israeli army officers, if asked about the raids, have till now explained with commendable frankness that they are needed to keep up the morale of the

settlers. They strike, they say, not so much to frighten Arabs—who are destitute beyond frightening—as to reassure their own people.

These facts are enough to show how constant is the pattern of possible pacification in Palestine. Only force applied from outside can achieve it. Distasteful though it

is to those who apply it, this was the only recipe for quiet living throughout the years of the British mandate; and so it remains today. Bitterness of feeling between Jew and Arab is greater now than it has ever been. The only prospect of abating it is for the western powers to strengthen their Anglo-French-American Declaration of May, 1950 (which simply said that there shall be no forcible change of the frontier) and to dictate, if necessary themselves to man, a permanent frontier line. Unless they do so, grave consequences will follow. Arab and Israel forces will grow, as they are growing this week, on either side of the armistice frontier. The prospect of peace will be hopeless and so, also, will be the conversion of both Israel and Jordan into viable states. Without peace both must live on western charity. Arab refugees, nearly a million strong, will remain indefinitely on the West's ration list and payroll, or else will die of starvation. What, too, will become of the next generation of Israelis if their leaders encourage at home a violence that they feel bound to condemn abroad?



Notes of the Week

Doubts on Guiana

MORE facts are now unlikely to settle for most people the controversy over British Guiana. The Government's White Paper, published after the reassembly of Parliament on Tuesday, confirms in greater detail much that the Colonial Office had already said. It leaves little doubt in the mind of any objective person that the dismissed ministers were both disaffected and incompetent, and that they used their offices to further party political ends rather than to act as a government set on improving the present state of the colony. That they had Communist affiliations is also pretty clear. But the White Paper contains nothing approaching "proof" that a definite plot was being hatched, in order to overthrow the constitution and set up a Communist government. This may simply reflect the nature of Communist plots; they are not easy things to track down. But since the Government's early pronouncements rested the case on the existence of a plot, the White Paper has not cleared up many people's doubts.

In the House of Commons on Thursday, Mr Lyttelton was most effective in arguing against the alternatives to suspending the constitution that some of the Government's critics have suggested. He showed how difficult it would be either to take any legal action against the Ministers themselves or to make continuous use of the Governor's reserved powers. But this still leaves the main point unsettled and, though the debate was still in progress when this issue of *The Economist* went to press, the Government plainly had not satisfied the Opposition. The policy of the People's Progressive Party seems to have been one of attrition rather than of immediate coup, and it presented Mr Lyttelton with a conundrum fortunately more familiar in this country to political philosophers than to politicians: at what point should those who believe in liberty restrict, in self-defence, the actions of those who do not believe in liberty?

If there are legitimate doubts about his action, it is still up to the critics to outline another policy with a better chance of success. Those who say that the Governor's reserved powers were sufficient to meet the needs of the case have yet to show how a constitutional expedient designed to minimise the incompetence and inexperience of ministers could be used to counteract a deliberate policy of bad faith and obstruction. Nevertheless, Mr Lyttelton's drastic remedy will be vindicated only if the colony's progress along the hard road to self-government is not long delayed. The test is a severe one, for it will not be easy for more reasonable local politicians to build up a popular following as long as the leaders of the PPP are able to assist their own cause by exploiting their "martyrdom."

Lugano Lobbying

THE latest western Note to Moscow is conciliatory in style and contains a significant concession. Instead of repeating the long-standing western demand that talks on Germany must start with the topic of all-German elections, it suggests that the conference in Lugano proposed for November 9th "should enable the Soviet Government to state its views on any aspect of the German and Austrian questions which it may wish to present." The western delegates would presumably stand firm, if the conference took place, on the need to hold free elections before there was any discussion of the terms of a peace treaty; but Molotov may none the less think that he has won a point and feel encouraged to hold out for more.

There is no evidence that Moscow is anxious for a conference so long as the Communist position in Germany is so manifestly weak. It would be different if the East German Communists could induce West Germans to meet them and discuss formation of a provisional, nominated all-German government, such as Moscow wants. So far, however, all efforts to create a German pressure group that would serve Soviet purposes at a peace conference have failed. While this state of affairs continues it must be expected that Molotov will agree to a conference only to encourage dissension in western ranks, a tactic in which he may count on influential French support.

The western powers have dealt logically and fairly with the Soviet proposal for another five-power conference that would discuss all sorts of causes of international tension. They point out that they have already agreed to the political conference on Korea in the form proposed by the Communists, and China will be represented at the Panmunjom meeting that is to make the arrangements. Disarmament, like other matters raised by Moscow, is already on the agenda of the UN General Assembly; and, of course, diplomatic channels are always there to be used. The idea that the Soviet will to peace is being frustrated by red tape and striped pants is merely comic.

Security and Conspiracy

INDEED, the desire to make things easier for Malenkov and Molotov is taking curious forms, especially in European comment. The fact is being forgotten that Moscow was obstinate about Germany, hysterical about America, and rude to Britain long before German rearmament, Nato or European unity were serious factors. It is exceptional to see any suggestion that free Europe, as well

as the Soviet Union, needs reassurances about its security; and seldom is there any acknowledgment that its persistent and avowed conspiracy against the free world is a matter on which Britain, above all powers, is entitled to seek assurances from the Kremlin, which conducts diplomacy with one hand and international agitation with the other.

One wonders whether Sir Winston Churchill has recently called for a report on the activities of the World Federation of Trade Unions, and their relation to events in Africa and Asia. If he did so he would doubtless be shown *Pravda's* recent praises of the work done by that body in fostering colonial strikes and "liberation movements," or the arguments of the Moscow press that what has happened and is happening in China is the model for all colonial revolutions. It is a subject on which he used to feel and express himself strongly; indeed, one of the very few reasons for supporting the idea that he should meet Soviet statesmen alone lies in the hope that he might explain to Malenkov and others that they must not expect an understanding with the West if they are hoping for the early collapse of the capitalist system and its alliance. They cannot have their peace and break it. Nor can they hope to pick off the allies of the United States one by one. It is to make clear points such as these that informal talks at Sir Winston's level might be useful; and it would, of course, be helpful to learn more about the thinking of Stalin's successors. There, however, the pros end; for if these men want serious negotiation, the Lugano offer gives them full opportunity.

Return with Zest

PARLIAMENT has resumed with a zest not wholly due to the physical and nervous refreshment of a ten week recess. The Government has gained confidence from the restoration to health of Sir Winston Churchill, Mr Eden and Mr Macmillan who, quite apart from their importance within the Cabinet, are probably its three most polished Parliamentarians. They provide renewed strength where it is most needed, on the floor of the House of Commons. All three were promptly tested, for between them they practically monopolised the despatch box for the first 80 minutes after reassembly. It is too early to reach firm conclusions but for the moment all three men seem able to play their important roles.

The Opposition returned to Westminster anxious to show off its new-found unity and sense of direction and quickly chose, in the Trieste and Guiana crises, two issues on which to show its mettle. Whether these were well chosen time will show, but Labour MPs are already faced with a threat to the accord reached at Margate. Mr Bevan is challenging Mr Morrison in the election for the deputy leadership of the Parliamentary Party. This must partially revive the former personal bitterness and undo much of the harmony recently achieved.

To the items of political interest expected to engage Parliament's attention—Trieste, Guiana and the Evans case—the Government made an unexpected addition when Sir Winston Churchill announced the abandonment of the plan to restore the university seats in the House of Commons. As

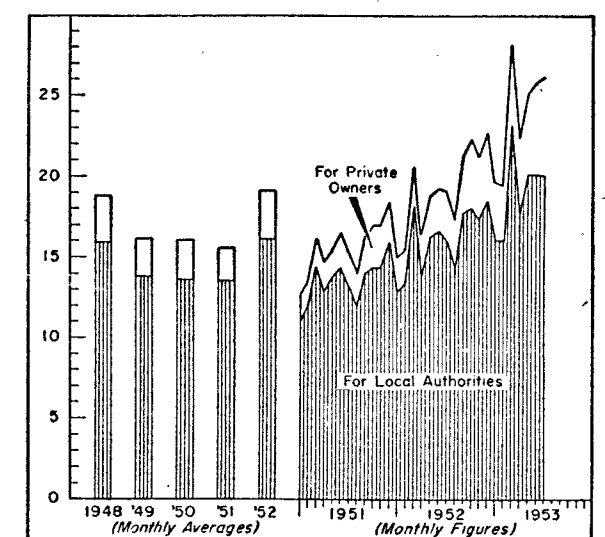
restoration was firmly promised in the last two Conservative election manifestos, Sir Winston understandably had to accept a good deal of ribaldry from his opponents. No one, however, seemed to notice at the time that he was at pains to specify that what he was dropping was restoration in the House of Commons. The possibility of university representatives sitting in a reformed House of Lords—an idea taken up in the recent Bow Group pamphlet—is therefore not excluded. There seems no chance of the Government being able to give this problem early legislative attention, but the Conservatives retain a general desire to revise the composition of the House of Lords much on the lines discussed at the all-party talks in 1948. The proposals then agreed could without difficulty comprehend a block of University representatives.

Tory Infiltration

THERE is no reason to disbelieve the Tories when they say that their councils of conservative trade unionists are not designed to "undermine or impair in any way the necessary and legitimate functions of the TUC." The councils, as the Conservative Central Office pointed out last week, are neither new nor industrial. Mr Harold Watkinson, the Parliamentary Secretary to the Minister of Labour, has described them as part of his party's domestic organisation; and that is what they seem to be, however loudly Mr Morgan Phillips may protest that they comprise "a great army of industrial secret agents," all working for the Tory party.

The Tories want to loosen the trade union movement's intimate connection with the party that it helped to found more than fifty years ago. They hope to do so by encouraging the Tory "minority opinion" within that movement.

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Mr Phillips sought to blacken the plan by comparing it to Communist infiltration, and it is perfectly true that the Communists have tried to do the same, although with more success. But neither party has yet tried to form a trade union movement of its own. The very thought is absurd in a country where the unions have gained so much by their unity. In Britain, unlike France, the trade unions are united and will stay united, even though some trade unionists vote Tory and a few Communist while the majority vote Labour. What the Conservatives are trying to do is to convert the unions from within. The conversion process, as they see it, can best be done by Conservative working men who know their party's policy. If these working men are encouraged to consult together in the trade unionists' councils they can not only learn the party's policy but also help to form it by transmitting their suggestions from the workshop to the "Trade Unionists' National Advisory Committee." This committee, as Mr Harold Watkinson emphasised at the Tory conference at Margate, can advise the executive committee of the National Union, which is the Conservatives' nearest equivalent to the Labour party's national executive.

Such a piece of organisation is perfectly logical and probably has its Communist equivalent. It may not suit Mr Phillips, but it is legitimate and has never been secret. The Keatinge Committee's report, which provoked Mr Phillips' wrath, put the issue plainly enough.

... The winning of the next election by a working majority may well depend on the party's capacity to retain and increase its influence among trade unionists. Moderate trade unionists are looking for a lead and the opportunity was never greater.

It is votes that the Tories are after, not the trade union movement, and Mr Tom O'Brien, of all people, is not well placed to complain because other people are seeking to alter the political fixation of the unions.

Strike against Efficiency

THE strike that has this week threatened to bring most transport in London to an early standstill, for lack of fuel, has no shadow of justification. The strikers, who are the drivers of oil and petrol tankers, have been acting without the support of their union.

Obviously, the men's chief demand is that they should not have to work with non-union labour, and they have thrown in a claim for an extra 10s. a week. But the real motive for the strike seems to be an attempt to resist the oil companies' efforts to rationalise the distribution of oil and petrol. The companies want to handle with their own lorries only the biggest loads, distributing these to large depots. Local contractors and agents would then be used to parcel out the small deliveries. The companies also want to eliminate as far as possible the mate who sits almost uselessly beside the driver. On these points they have been negotiating, properly and cautiously, with the Transport and General Workers' Union. But the men, fearing that the new arrangements would mean fewer jobs, less overtime, and lower pay from the local contractors than they have been getting from the oil companies, have taken matters into their own hands. Their wage claim

itself is an additional gesture against their own union leaders, who were in negotiation with the employers about an offer of 5s. 6d., conditional on an agreement about unnecessary mates.

The public, in short, has been threatened with great inconvenience and a breakdown of food distribution largely because a few thousand men, by-passing their own leaders, are resisting measures to raise productivity. It will do great damage if this kind of blackmail is allowed to succeed. Firmness on the part of the employers should be matched by strong union condemnation of the rebels. The use of troops to drive the tankers would certainly be legitimate if it is the only way to keep food distributors' vans and other essential services working.

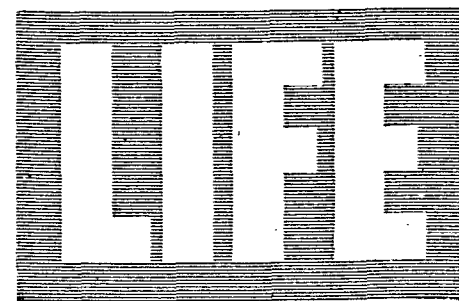
Case for Delay in Trieste

TIME has not, so far, made the situation in Trieste any easier. The London meeting of Mr Eden, Mr Dulles and M. Bidault has come and gone without providing any pronouncement about their next move except to invite the Italians and Yugoslavs to a conference. Plainly there ought to be such a conference, but the Italians are refusing to attend unless the British and Americans first carry out their promise to let them have Zone A. Marshal Tito, on the other hand, says adamantly that if there is to be a conference—as he originally suggested—then it must be without prior conditions of any sort. Since this is, in fact, the only basis on which it could reasonably be held the centre of the deadlock lies for the present in Rome.

Politicians and statesmen often give the impression that they must have something up their sleeves. They could not, it seems to the public, be so foolish as to embark on some of the courses they choose, unless they know more than can be revealed to the outside world. Unhappily, history shows time and again that there was not, after all, more up the sleeve than met the eye. It seems almost incredible that Italy should have been promised Zone A in such public fashion without very great care being taken to see what Belgrade's reaction would be. If Marshal Tito did not appear likely to react as strongly as he has done, one of the factors that may have prompted him to do so and might have been better anticipated, is the approach of the elections now due in Yugoslavia next month. Communist elections are customarily dismissed in the West as deceit, but Marshal Tito is known to consider them important. The allies, therefore, having postponed their move in the Trieste question until well after the Italian elections, would have been well advised to wait until the Yugoslavs had gone to the polls. As it is, Marshal Tito has felt it necessary to indulge in the sort of talk that was common among dictators in the thirties, so making himself more popular than he has been since the break with Moscow and the Cominform.

Unless Signor Pella, the Italian prime minister, can retract—which is unlikely—it seems that the question of the meeting may have to be postponed till after the Yugoslav elections. Provided that the allies reassure the people of Trieste that their troops will not leave meanwhile, a delay of this kind might let tempers cool.

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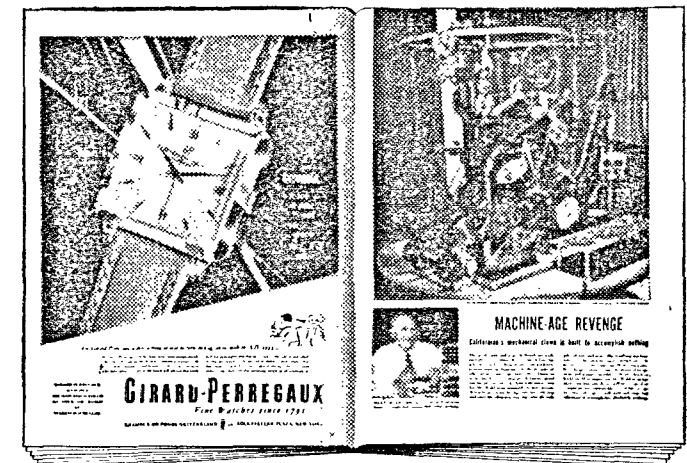
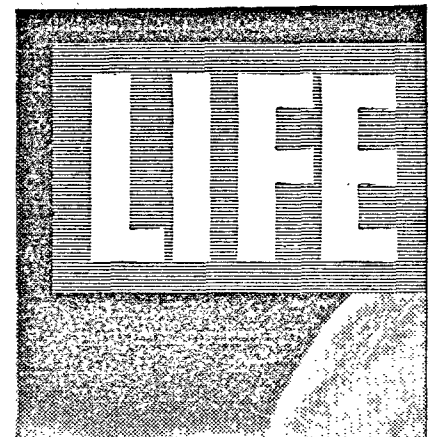


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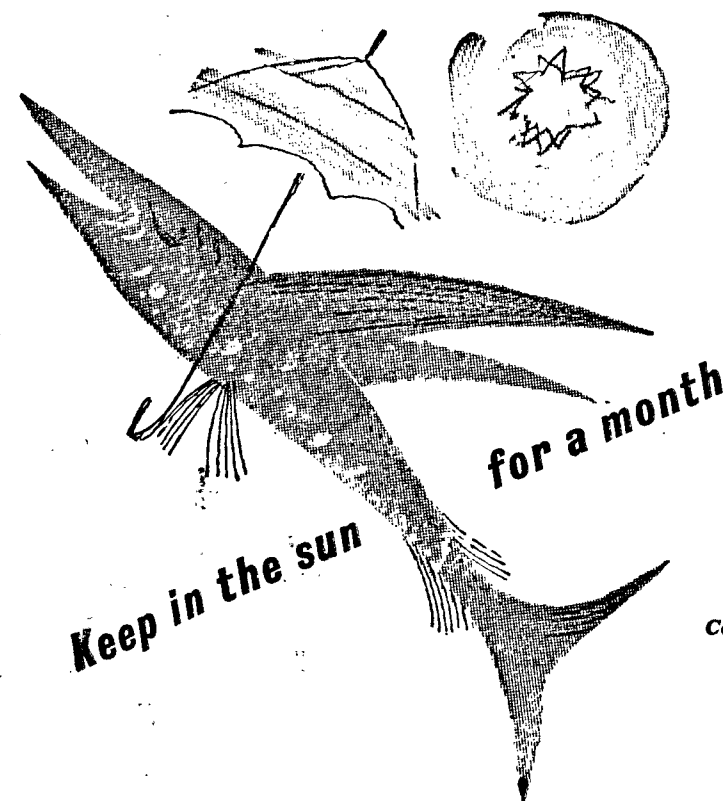


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Opening Day in Bonn

THE most unhappy member of Dr Adenauer's new cabinet must be the Minister of Finance, Dr Schaeffer. In spite of his warnings that there must be economies in view of a serious uncovered budget deficit, the cabinet has been enlarged to nineteen members, four more than before. The fact that some of the new ministers are without portfolios is hardly likely to prevent them from setting up new bureaucracies in the already over-governed Federal state. This inflation in jobs was necessary in order to accommodate all the various claimants from the coalition parties, and to ensure that more attention is paid to social welfare. A newcomer, the refugee party (BHE or All-German Block) had opted for Dr Adenauer in the elections, after frankly announcing that it was ready to support whichever side offered the best terms to the refugees and disfranchised former Nazis. Now its leader, Herr Kraft, has become a minister without portfolio. The former mild minister for refugee affairs, Herr Lukaschek, has been replaced by a more vigorous champion of this discontented group, Herr Oberlaender from Bavaria. Indeed, the strengthening of the nationalistic refugee influence is the most notable, and the least welcome, change in the new government.

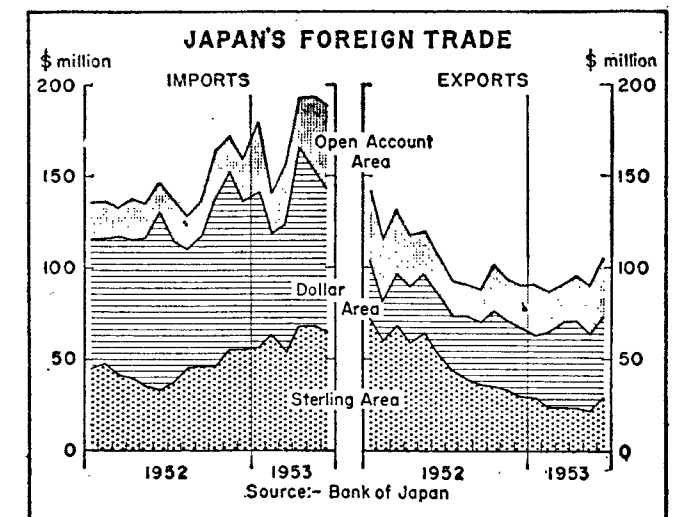
There were no surprises in the economic policy outlined by Dr Adenauer in his inaugural survey to the *Bundestag*. The liberal-conservative line is to be pursued. The state is to relax its grip on the capital market. Dr Schaeffer is to reform the extremely complicated tax system. Building will be made more attractive to private capital, presumably by relaxing rent restrictions, while family allowances will be raised. The government will work for convertibility in co-operation with other countries—which means that the cautious Dr Schaeffer will continue to place a brake on the exuberant Dr Erhard, who sees no good reason why foreign exchange restrictions should not be abolished overnight.

On foreign affairs, Dr Adenauer again made it plain that

he does not envisage any alternative to the European Defence community which must be established before any "Locarno" is offered to the Soviet Union. The German people, he insisted, further, could never recognise the Oder-Neisse frontier though this problem must be settled by peaceful negotiation. These are all well-known and respected principles of the Chancellor's. It would be wrong, however, to conclude that there will be no stiffening of the German attitude towards the western powers as the result of the elections. Dr Adenauer himself demanded that the Federal Republic should have the freedom granted by the Bonn treaties without waiting for their ratification by other interested governments, and it would be unfair to refuse this proposal. It will not be the last. There will be many other ways, such as demands for the return of confiscated assets abroad, in which the Germans' increased self-confidence will be asserted.

Japanese Export Drive

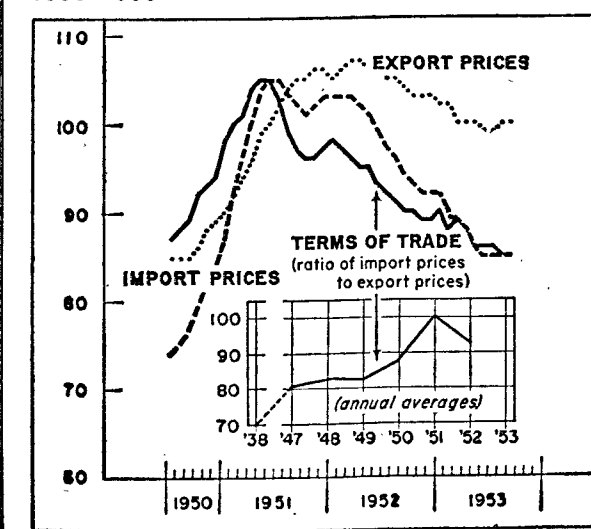
THE government of Mr Yoshida, faced with an increasing deficit in its foreign trade, has drawn up an emergency plan which relies heavily on the willingness of the sterling area, France and other countries to relax import restrictions. It proposes also to foster "switch" deals, in which Japan will sell dollar goods to countries with which it is running the largest overdrafts. It will be recalled that the Bank of England tried an experiment of this kind in order to reduce



the British deficit in the European Payments Union, but had to abandon the scheme after a few days, owing to the rush that ensued from foreign, particularly German, buyers. The Japanese have it in mind to sell to West Germany \$8 million worth of "switched" goods, as well as to increase their present exports by \$15 million. The Netherlands and Sweden are also to be sold dollar goods in this way. "Switch" trade is to be carried on in raw cotton, raw wool and soya beans, and \$30 million are to be set aside for this purpose out of funds for special imports from the dollar area.

Another plan is to couple "hard" imports and exports in trade with thirteen countries with which Japan has a

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bilateral clearing agreement. In this way, foreign trade merchants will receive priority import licences for such commodities as sugar, pulp and raw wool if they sell increased quantities of iron and steel products, fertilisers, whale oil and industrial equipment. Increased exports to the sterling area are to be rewarded by special rights for importing dollar goods. This system is expected to cost up to \$30 million. In addition, various restrictions on trade with the Near and Middle East and Latin America are to be removed, and the Japanese Export-Import Bank has been empowered to grant better credit terms to facilitate investments or sales overseas, and to foster imports of commodities that will help the export drive.

In view of the continued fall in Japan's sterling holdings the authorities are anxious not to wait until the trade talks with Britain that are due in December, and a special envoy is said to be arriving in London this month to sound out the British attitude towards concessions. Japan has been securing sterling against dollars by the so-called "swap deals" with the Bank of England and will presumably want to continue this hand-to-mouth method. But, in addition, it is evident that the Japanese will press for relaxation of import restrictions in the Commonwealth countries.

Fishy Dealers

FOR the first time for nearly eighteen months, an Icelandic trawler landed fish at a British port last week. It thereby launched the long-heralded contest between British trawler-owners and Mr George Dawson, who is attempting to break their boycott of Icelandic fish. The arrival of the trawler found both sides well prepared. Under pressure from the trawler-owners, only one of the local merchants bought Mr Dawson's fish at public auction. He hopes, however, that his own merchanting and processing organisation will be able to deal with all the fish he proposes to bring in under long-term contract from Iceland and elsewhere. When the attempt to sell by local auction failed, he transported the fish direct to Billingsgate; and he has announced that he hopes to bring twelve Icelandic trawlers a week to Britain by the end of November. But an important firm has turned to different tactics, trying to price the Dawson fish out of the wider market.

There is no doubt that Mr Dawson, though self-confessedly no Sir Galahad on a white horse, has the housewife's sympathy. But who will win, and whether on points or by a knock-out, is far from clear. The serious issue behind a story that makes such good breakfast-time reading is that of monopoly practices. Mr Dawson is bringing to the notice of the Monopolies Commission his failure to buy ice from a Grimsby company; it is also reported that a merchant's bids for other fish were refused at a Grimsby auction after he had bought Icelandic fish. The dispute is also showing signs of moving into the courts. The Grimsby Town Council decided not to prosecute Mr Dawson for an alleged failure to have some of his fish examined by the port health officers, but he himself has issued a writ against another trader for alleged slander.

It may be wrong to think that all this has much to do with the future price of fish, whoever wins, but the trade

has not won public sympathy by its actions. What started as a protest against the Icelandic government's action in an international matter has become a domestic squabble that certainly appears to involve, whether rightly or wrongly, attempts to hamper competition as economists (though not, necessarily, lawyers) would see it. The result is that it has become virtually impossible for the British Government to intervene effectively in the original dispute.

Credits Discredited

HARD cases make bad economic policy as well as bad law; that, in sum, has been the answer of successive Chancellors to pleas for the repayment of postwar credits, whether *in toto* or merely to other special groups besides old-age pensioners. Such a release of purchasing power would certainly have been entirely inappropriate to an economy suffering both from inflation and from excessively high taxation. None of the speakers at the recent Conservative conference argued that this situation had greatly changed. They called for a lowering of the age qualification but did not claim that the time has come to use the postwar credits—as it was originally supposed that they would be used—as a weapon against depression.

There is, however, another aspect of the issue, which rests neither on the argument from hard cases nor on fantasies about an approaching depression. It is that unless the postwar credits are released fairly soon it will never be possible, however urgent the need, to use any such device again. The state is well equipped with devices for encouraging production and consumption simultaneously. But to restrict consumption without simultaneously damping down production is extremely hard; taxation at a sufficient level may paralyse incentives, controls of sufficient efficiency may fill the bearings of the economic machine with grit. The merit of deferred credits (postwar or post-crisis) is that they can restrict current spending while leaving people with something to work for—provided they have a reasonable faith in the value of the pledges. Forced savings are in this respect better than taxes, if people believe that they will not be forced for ever. As matters now stand, with the stigma of a "monstrous swindle" attached to the postwar credit scheme, no pledge of eventual repayment would have the slightest sweetening effect on a necessary pill of higher taxation. The promise would elicit no effort but a resounding horse-laugh.

To reinstate this potential weapon in the armoury against future inflation is not, certainly, worth an actual inflationary move today. But the value of doing so, and therefore at some point of choosing this rather than other budgetary reliefs, should be kept in the Chancellor's mind.

Private School Paradise

SMALL classes, inappropriate buildings and nice manners seem to be the hallmarks of the private day school. Or so it is in Surrey, where as many as one child in every five

goes to a private school. This predilection for paying school fees is no reflection on the local education authority, but a mirror of the county's attraction for the middle class. While father commutes he puts his money on the grounding or the gloss that the private schools will, he hopes, give to his children.

The Surrey Education Committee naturally does not quarrel with this attitude, but it is concerned to know that the 38,000 children withdrawn from its direct responsibility are adequately educated and that the parents are getting some at least of their money's worth. It has carried out an inspection of 307 schools. While the Education Act of 1944 provides for the compulsory registration of all independent schools and gives power to close them, this section is not yet operative. But the Surrey authorities have now published a summary of their findings.

About a quarter of the children are in schools that are good or very good and 8 per cent in schools that are poor. Only one per cent are in very poor schools. The most important difference between the private schools as a whole and the state schools lies in the ratio between teachers and pupils. In the private schools of Surrey there is one teacher to every 17 pupils. In England as a whole the average in primary schools is 1 to 32 and in secondary schools one to twenty-one. The extra teachers' time is clearly something worth paying for. On the other hand, private school buildings have rarely been constructed for the purpose; they are frequently cramped, overcrowded and ill-plumbed, and the equipment compares unfavourably with state schools. The curriculum is often more formal and restricted than that of state schools. He who pays the schoolmaster calls the tune, and the private schools reflect the anxieties and hopes of parents; the bad schools reflect their ignorance and misdirected ambitions for their children.

No Limelight for the Colombo Plan

THE free press has shown an extraordinary lack of interest in the recent meeting in Delhi of the Commonwealth Committee of the Colombo Plan. Not so the organs of Moscow. For the ordinary British reader the long-drawn-out complexities of the plan may be thought dull, but for the Communist propagandist capital investment is exploitation, whether the money comes from local capitalists or from distant imperialists: and, since no credit for sincerity of purpose can be given to the non-Communist world, Moscow has been using the Colombo Plan as a welcome target for its salvoes of lies.

The Consultative Committee concluded its work last Saturday under the chairmanship of Mr Deshmukh, India's able Finance Minister, and got through a full and useful agenda. One of the most important functions of these more or less regular meetings is to draw up an annual report on the progress of the plan. This one is expected to be ready for publication, simultaneously in each of the capitals which are members of the plan, by about December 15th. Among other things, the meeting also decided to set up a small permanent information unit, which would help to stimulate "increased understanding of, and interest in, the Colombo Plan and its aims and objectives." To judge from the growth of a rather cynical apathy in Britain—in spite of

a certain political "interest" in the problem of developing underdeveloped territories—this effort has come none too soon.

The Consultative Committee was created at the meeting of the Commonwealth Foreign Ministers in January, 1950. It met at Sydney in May, 1950, London in September of the same year, Colombo in February, 1951, and Karachi in March, 1952. The next meeting is to be held in about a year's time in Canada. By then, it will be possible to assess the amount by which achievement may have fallen behind the original programme during the first half of the chosen span of six years. If the proper decisions are then to be taken for accelerating progress in the second half, western as well as Asian public opinion must appreciate the issues and problems better than it appears to do at present.

Saudi Arabians on Strike

FOR the first time in twenty years of work for their American oil company (Aramco), Saudi Arabian oil workers have gone on general strike. About 13,000 out of the company's 15,000 Saudi Arabian employees are involved. The immediate cause of the strike was an act by the Saudi

Wage Demands

SIR,—I believe it is a maxim of the political economists that every man should be allowed peaceably to get as much as he can for his commodity, and that the seller will probably be a better judge than any uninterested party, however learned in their science, of what that maximum is. Public writers who censure violently the workmen's demands, and counsel the masters not to yield to them, appear to me sometimes to lose sight of these maxims.

It is also, if I am not mistaken, admitted by these same political economists . . . that A's refusal to sell is at least as good a proof that the market price has not been offered, as B's refusal to buy is a proof of the contrary. Writers who point to the simple fact of the refusal to comply with the men's demands as irrefutable evidence that they should not have been made, appear to me to forget this maxim also. . . . A general bullying of the "bears," or an overbearing attack upon the "bulls," might probably have some influence on the Stock Exchange; but it would neither be fair towards the "bulls" or the "bears." I suppose we feel this, for no writer interferes with them to damage or uphold either side. Now, we are simply "bulls," and our employers (without offence) are "bears." Might it not, then, be wiser, after all, to let us alone too?—I am, Sir, yours very respectfully, W. M. T.

(W. M. T. misunderstands the question at issue. . . . All sellers are justified in getting as much money as they can in the open market for their commodities—all buyers are justified in getting those commodities for as little money as possible; but all sellers and all buyers do not combine to force the other party to come into their terms. What is condemned . . . is the combination of one set of men to compel another set to agree to what they propose. The demand is accompanied by a threat, which is not the custom of open markets.—Ed. Econ.)

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Arabian government which—possessing as it does most of the characteristics of a competent mediæval court—forbade the oil workers in its eastern coastal province of al Hasa to form unions, and arrested about 100 of the ringleaders who wished to do so. In the programme of the would-be trade unionists are the classic demands for wages equal to those of Americans who, as yet, have higher capacities. But no such demands have actually been put to the company. The government has declared martial law in al Hasa province, and, apart from a few stonings of cars and overturnings of buses, little physical damage seems to have been done. Oil output continues unimpaired because the company's non-Saudi complement of some 10,000 Americans, Pakistanis, Indians, Palestinians, Italians and Adenese (given in order of numerical importance) have kept all plant running.

The material losses caused by the strike may be unimportant, but its psychological effects are highly significant. Aramco has long prided itself on behaving as a guest in King Ibn Saud's country and therefore on making many less mistakes than some of its counterparts in other states. This strike reveals that, no matter how it handles its labour relations, it is not proof against inconveniences and onslaughts caused by local growing pains. These onslaughts are quicker to mature in more developed countries, such as Persia or Iraq, than in backwaters such as al Hasa province or Qatar, but in due course they blossom there also.

Across the Water

THE London County Council is to be congratulated on its plans for development along the south bank of the Thames. The opportunities provided by a famous river winding through the midst of the city have been scandalously neglected in the past. "The water" has been allowed to be a drab barrier instead of an aid to variety, gaiety and good architecture.

The area for development has been lying fallow since the Festival Exhibition ended, except for the Waterloo terminal for air services and the Festival Hall itself. Several public bodies have had their eyes on the spot, but the Ministry of Works has finally given up its claim to build government offices there and the LCC is free to make its plans. The area in itself is not large, but the essence of the scheme is that it should create a sense of ease and open space. The river front is to remain a public promenade 100 feet wide and there are to be two squares with open strips running down to the Thames and garages underneath. But within the area bounded by County Hall and Westminster Bridge the LCC proposes to fit an international conference hall, office buildings for the Shell Petroleum Company, a national theatre, a large hotel and an exhibition gallery, as well as the existing air terminal (the site of which will probably be moved) and the Festival Hall. The list has a pleasing variety, and this extends to the architectural scheme which aims at breaking up the line of the river by variations in height and by design in depth. The aim is to give as wide a view of the river as possible, and the buildings that stand furthest back, notably the Shell offices—will have a commanding look.

That plan is still at an early stage, but the LCC has hopefully included it all in a five-year development

schedule. No one will pass final judgment until it can be seen what manner of architecture is intended, but at least it seems likely that a dent will be made in the dismal inconsequence of the south bank.

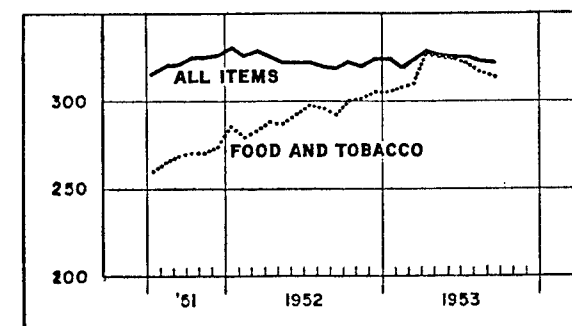
The Third Men

THE BBC has been finding out whether the Third Programme is heard by the people for whom it is intended. The people interviewed were classified by investigators according to their education, intelligence, interest in Third Programme subjects, and finally according to the kind of newspapers and periodicals that they read. (To read *The Economist*, be it said in all modesty, is taken as one indication of ripeness for the Third Programme.) The audience research unit then decided what combinations of these four ingredients made a person a "good prospect" for the Third Programme, what made him a fair prospect, and what poor or very poor.

The results are published in the current *BBC Quarterly*. It appears that, on this reckoning, 2 per cent of the sample were good prospects, 6 per cent were fair, 12 per cent poor and 80 per cent very poor. Of the good prospects one quarter listened to the Third Programme at least once a week, but over a third never listened to it at all. If the good and fair prospects together are taken as the Third Programme's proper market it appears that only a fifth hear it once a week or more. On the other hand, of the poor prospects 9 per cent do hear it at least once a week and even of the very poor prospects 3 per cent do so. As these groups are so much larger, the odd result emerges that the Third Programme has a far bigger market among the supposedly philistine than among the cultured.

The fact that the Third Programme cannot be heard all over the country does not explain its failure to reach all the people who might be expected to listen. Fourteen per cent of the good and fair prospects said they had never even tried to hear it. The programme makes least appeal to the unmusical, since over half its broadcasting time is spent on serious music. Its talks, discussions and features are of high quality; but those who are capable of appreciating them are also those who have least lost the habit of reading, as opposed to looking and listening. Finally, the Spoken Word can be very trying when the technique of good broadcasting has been sacrificed to erudition.

BRITISH WHOLESALE PRICES
INDEX NUMBERS 1938=100



Letters to the Editor

Too Much Consumption?

SIR—Many experienced distributors in Manchester would not agree with your suggestion that purchase tax no longer has any marked effect on sales of "soft" goods such as clothing and textiles, but even if such were the case it would be only part of the story. The public have switched to the cheaper type of fabrics—i.e., they now predominantly buy below the D line, especially in furnishing fabrics and household textiles so that the question of purchase tax does not arise. Lancashire's regret is that her valuable export trade in types above the D line is injured by lack of home market trial ground and backing for stocks. According to my information the position here is getting worse rather than the contrary. The better quality lines in cotton, rayon and linen are definitely not being adequately stocked by the retailer, and are not being sold in consequence; and therefore the ranges are being unavoidably cut down or even discontinued by the producers.

The following extract from a letter received by one of my colleagues from the merchandise director of one of the best department stores in Europe who recently visited this country on a buying mission strikes me as evidence of real significance:

My further experiences in England made me realise that you will really do a very good job if you can abolish the purchase tax. To my mind it is seriously hampering the industry to make their best efforts in the top end market, and I do think this has a great importance for the development of better qualities and new designs.

—Yours faithfully,

E. RAYMOND STREAT, Chairman
The Cotton Board, Manchester

Cold Fish War

SIR—You mentioned a dispute between the Icelandic Government and British trawler owners. The latter are at best self-appointed campaigners in the dispute over the Icelandic territorial waters and unhappily their intervention has only succeeded in disrupting normal trade between the two countries, and, it seems, in preventing this dispute, to which the two Governments are the only parties, being submitted to the International Court at the Hague for settlement.

Your Note stated that the British trawler owners "succeeded in putting a total stop to imports of Icelandic fish into this country." Whilst this, no doubt, is meant to refer only to Icelandic trawler fish, fresh on ice, as such fish is normally imported, this state-

ment may be misunderstood. The fact is that a few thousand tons of quick frozen fish, fish fillets and wet salted fish have been imported from Iceland into the United Kingdom since the trawler owners commenced their crusade against Iceland.

"The proper approach," your Note said, "would be an international inquiry into problems of overfishing in the breeding grounds." As Mr Elisson pointed out in his letter in your issue of October 17th, this inquiry was held in 1937 and besides there was the Over-Fishing Convention of 1947. The fate of the fishing grounds off the coast of Scotland, once prolific, would surely help at least those most affected, namely British fishermen, to understand the necessity and inevitability of Iceland's action. It is difficult to imagine who would object to the fishing grounds around Scotland, the Orkneys, the Hebrides and the Shetlands being protected in the same way as those of Iceland and Norway now are.

By now the cold war has warmed up through Mr Dawson's importation of Icelandic caught trawler fish. If Mr Dawson wins, perhaps the trade between the two countries will get back to its normal and legitimate course and the relations generally regain their traditional character. If Mr Dawson loses, then British trawler owners and wholesale merchants can put back on their prices the sixpence they took off to undercut Mr Dawson, but Iceland is not likely to barter her future existence for a few trawler landings.—Yours faithfully,
SIGURST MAGNUSSON
Icelandic Consulate General, Edinburgh

Supports for Farming

SIR—Your articles present a regrettably one-sided picture of the situation. In discussing agricultural marketing, no one would dispute that there ought to be extra rewards for quality, whatever the commodity may be. That there should be extra rewards for "skill in selling" is a very different proposition. With cereals this implies anticipation of the movements of the international grain trade and the buying policy of the millers; this is the prospect that farmers (and, therefore, the NFU) view with some misgiving. With livestock it calls to mind prewar conditions when buyers' rings too often prevailed. As the Lucas Report points out, several hundred thousand individual farmers who sell their stock at irregular intervals cannot hope to bargain on equal terms with buyers who are increasingly well

organised and in constant touch with the trade concerned. On the other hand, a marketing board as proposed by the farmers for fat stock would have to face the competition of imports and would be subject to stringent safeguards under the marketing Acts.

The expansion in agricultural production has been stimulated as much by the publicity campaign which is still being run by the Ministry of Agriculture as by the prices which have been announced from time to time. Surely it is not suggested seriously that the Government, having stimulated production by promises and ballyhoo, should now invoke the law of supply and demand to reduce prices steadily to the level of the bargain basement. Apart from any considerations of ethics, would this really be in the national interest?

Be it remembered that our exports are dependent on the whims of overseas buyers, that the surplus of North American grain is not necessarily permanent; indeed, it is largely illusory; as the recent FAO report points out, it arose through a succession of good harvests, and 70 per cent of mankind is still underfed. Be it remembered, too, that the recent award to agricultural workers was made on the grounds of disparity between agricultural and industrial wages; that farmers' incomes are modest when increased capital, increased effort and the effects of inflation are taken into account; that farmers have for 14 years accepted prices lower than could have been obtained on a free market; that other industries have a wide spread of costs with far less justification; and that there is no valid reason why the rural community should be expected to return to prewar conditions of inferiority.—Yours faithfully,

H. J. TOOLY

Bransford, Nr. Worcester

Polish Church Beheaded

SIR—In the Note in your issue of October 3rd, you conclude by stating that it appears the Polish Episcopate has accepted the situation created by the arrest of Cardinal Wyszyński, the Polish Primate. Apart, however, from the fact that Cardinal Wyszyński did not appear at the evening service on Saturday, September 26th, and that the government has announced his suspension, we have as yet received no reliable news about the attitude of the Polish Episcopate. All we know comes from Communist official sources and is very much open to doubt. In view of the great distances involved, it seems unlikely that even a majority of the bishops could meet in Warsaw by Monday morning, September 28th, since the Cardinal was arrested in the early hours of Saturday, September 26th, but this fact was not made public till Monday, September 28th. What is even more astonishing is that the Episcopate should have made a statement of vital importance in the heat of the moment before consulting all the bishops, as has been the practice hitherto. Moreover, this statement appeared all over the Polish press with-

out any signature. Up till now, any statement of the Polish Hierarchy, even on routine matters, has invariably been signed at least by the Bishop-Secretary of the Episcopate.

I suggest that before we pass an opinion on these tragic events we should at least have some reliable evidence that the facts on which we base such an opinion are true. Otherwise, we might well fall into a trap set by the Communists, who could easily broadcast false information.—Yours faithfully,

JULIUS LADA

London, W.1

[Our Note was clearly a provisional judgment on the basis of the evidence then available. Since then we have learned that the Episcopate's statement was in fact unsigned and that only eight of the Polish bishops were present when it was drawn up.—EDITOR.]

Moscow Misses a Date

SIR,—May I add to your Note of October 10th that not only *Scanteia* but all the Rumanian newspapers commemorated on October 4th the anniversary of the Congress of the Soviet Communist Party? In the long anniversary articles there was no mention of Stalin's speech, so often quoted in the past year, nor of his famous "work of genius" on economic problems. Finally it is worth noting that the only name printed in these articles is that of Malenkov.—Yours faithfully,

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STAPLES

Books & Publications

Russia and China

SOVIET POLICY IN THE FAR EAST: 1944-1951

By Max Beloff.
Oxford University Press (under the auspices of the Royal Institute of International Affairs). 278 pages. 21s.

IN this admirable book Mr Beloff provides chapter and verse to bear out his general theme that the Russians are by no means the all-seeing, self-controlled planners they would like us to think. Their Far Eastern policy during the last few years, Mr Beloff suggests, has been quite as haphazard and hand-to-mouth as that of any bungling bourgeois. They were taken by surprise when the Chinese Communists did at last snowball their way to power. And, though Mr Malenkov is now making up for lost time by falling over backwards in his efforts to conciliate Mao Tse-tung, it is a historical fact that Stalin went on recognising the Nationalists for some time after they were doomed. Soviet historians have since had a little difficulty in accounting for this Russian attitude.

As a historian himself, Mr Beloff has done a useful and excellent job in charting the course which events have taken in the Far East since the war. He covers the ground in an unusual way, and he includes the results of a good deal of his own expert research. This volume forms, in fact, a companion in a limited but crucial field to his earlier "The Foreign Policy of Soviet Russia, 1929-1941." It is something of a pity, therefore, that many of his own comments are so guarded—a limitation which is in part due to the reservations imposed by the type of documentary publication that Chatham House no doubt had in mind when sponsoring the book. It would be of interest, for instance, to know more of what Mr Beloff personally thinks about the development of Sino-Soviet relations. As regards the past, how far was help from Moscow a significant factor in the eventual success of the Chinese Communist revolution? Mr Beloff does not leave any clear impression about this most interesting point. Discussing the present, he plays down the idea that there is anything to cause real friction between Moscow and Peking in the early future; but, although he might be going beyond the brief of a historian proper, Mr Beloff would be less tantalising if he were to let the reader a little more into his own expert confidence.

Apart from Moscow's dealings with China and its relations with the United States on the consequent international

issues—to all of which a hundred pages and four chapters are devoted—Mr Beloff has written fifty pages each on the Soviet Union's handling of Japan and of Korea. He throws out the striking observation, incidentally, that, in contrast to the agreements concluded by the Soviet Union with other Communist states, Moscow appears never to have concluded a general treaty of friendship and mutual assistance with North Korea—possibly because it "wished to avoid public commitments, which would directly oblige . . . [it] to go to the assistance of the North Koreans." There is also a rather briefer chapter on Soviet policy in South East Asia contributed by Mr. J. Frankel. It is surprising that neither the author nor the publisher has thought it necessary to include a map.

In a final chapter on conclusions, Mr Beloff sums up with the view that "the opportunities afforded to Communism by the collapse of the European and Japanese empires in Asia have been fully exploited." But, he adds, we should remember that

the extension of the actual area of Sovietisation has resulted, with the partial exception of Manchuria, rather from the weakness of the opposition to it than from positive contributions of strength from the Soviet Union.

This is to some extent a comforting thesis. It hammers home, however, the lesson that Soviet policy is expansionist and provocative when the outside world is weak but cautious and pliable when faced with resolute containment.

Unturned Key

ANEURIN BEVAN.

By Vincent Brome.

Longmans. 244 pages. 15s.

THERE are purists who would say that a biography whose subject is barely 56 must be a failure. A comparatively youthful politician like Mr Bevan cannot be shown in the round. The biographer is too close to the man to take a long view, to assess even part of a political career and achievements in their context. Yet he is also unable to provide the full illumination of details that might compensate for lack of perspective; too much of the intimate political history of the past twenty-five years is not yet known, or if known cannot be frankly written about. What exactly were, for example, the "manœuvres" by which, on his own account, Mr Bevan sought to get his way within the Labour Cabinet? And how often, before 1951, did he fail? These are among the many important ques-

tions, in any assessment of Mr Bevan, about which little can yet be told.

Nevertheless, a book about Mr Bevan at this juncture should, in principle, be welcome. For more than two years he has been the most distinctive and interesting figure in British politics. Even if his power should now prove to have faded entirely and permanently, his part in wartime and postwar history can never be ignored. An interim assessment of him is worth attempting. If it cannot analyse Mr Bevan in politics, it can at least offer an explanation of the man, and the influences that fashioned him, up to the time when he leaped into wartime prominence as the scorpion plaguing the Prime Minister.

But if his purpose deserves defence against the purists, Mr Brome's achievement deserves nothing of the kind. The main interest of his work lies, indeed, in the variety of the reactions to it. It has angered Mr Bevan's friends as well as his enemies. It reads for the most part as a eulogy, perhaps because so much consists either of quotation from Mr Bevan or of summary of what Mr and Mrs Bevan have written about themselves. Nevertheless, the book has been fiercely denounced in the left-wing journals. The reasons for this anger are not clear, but the section that seems most likely to give offence is the one dealing with Mr Bevan's wartime role as a Parliamentary critic. This is described by Mr Brome largely in terms of a personal antagonism between Mr Bevan and Sir Winston Churchill. The purport of the criticism, however, was to throw doubt on the whole conduct of the war, and but for the attention he thus attracted Mr Bevan's rise to influence in the Labour Party would probably have been much slower and might never have gone even as far as it has. It would therefore be natural if Mr Bevan preferred to see his wartime struggle in wider terms than Mr Brome depicts it.

The difficulty for the reader, in this and other matters, is that Mr Brome gives him almost no help towards making his own judgment. His technique is that of the occasional snapshot: he does not provide even a sketchily continuous account of Mr Bevan's life. The documentation is throughout poor or negligible, outside the Bevan's own writings, and hardly a single fact emerges that is new to anyone who reads the newspapers. Mr Brome is, therefore, wise in attempting little assessment of character or judgment of action beyond the most trivial or non-committal.

This is a pity. A close study of Mr Bevan's early years could have been written now and would be most rewarding as a demonstration of some of the forces that have gone to make the British Labour Party of the nineteen-fifties. It might even make possible some moderately confident judgments about the Mr Bevan whose flights from irresponsibility to responsibility and back have been so often surprising. But if the key to any of this history—and to Mr Bevan's future—can be turned now, it will not be with the help of this book.

American Politics Re-examined

THE GENIUS OF AMERICAN POLITICS.

By Daniel J. Boorstin.

University of Chicago Press (London: Cambridge University Press). 202 pages. 24s.

THAT the University of Chicago breathes the last enchantments of the Middle Ages seems to be no longer true. In its restless pursuit of modernity the windy city has thrown off its Thomist dogmatism and is moving towards a new, conservative empiricism. Of this the latest manifestation—a very compelling and attractive one too—is to be found in "The Genius of American Politics." Is it too early to hail Mr Boorstin as the Burke of the Wabash? At least he has written a book which by its freshness, its wit and its *sagesse* compels one to re-examine all the dusty stereotypes about the nature of American politics.

Mr Boorstin starts with disbelief in the thesis held by so many of his fellow-countrymen: that American institutions are articles for export, that American democracy should proselytise. They are the product of the unique circumstances of America itself, the country and its history. There is no theory that can be abstracted from the practice and sold overseas. American history is the story of a successful marriage of practice and theory, but a marriage in which practice has been the better half. The very success of the American experiment has encouraged Americans to make the "is" the guide to the "ought," to use sociology or at most legal theory as a substitute for political theory. "It was not necessary here to develop a theory to prove that man could begin anew. . . . Life in America seemed itself sufficient proof." The result has been a persistent tendency to play down all clashes of values, to have a party system that blurred political distinctions, to develop an "American religion" that minimised doctrinal differences, to seek in creed and in culture the common denominator rather than the absolute.

Mr Boorstin elaborates his thesis by examining successive phases of American development—the Puritan beginnings, the American Revolution, the Civil War. His emphasis on the "seamlessness" of American development and the "givenness" of American values obliges him to make a drastic rereading of certain famous figures and movement in American history. We are told that the trumpet calls of "life, liberty and the pursuit of happiness" are much less important than the legal quibbles that make up the rest of the Declaration of Independence. We have to ignore all the revolutionary aspects of the break with Britain. Lincoln's references to slavery as a "moral wrong" and to the Messianic role of American democracy must be treated as the aberrations of a politician normally dedicated to compromise and concession. These are large questions, and Mr Boorstin's

thesis, it can be seen, raises as many problems as it solves. For that very reason this challenging and even at moments slightly arrogant book deserves a warm welcome.

Science and Society

SCIENCE AND THE SOCIAL ORDER.

By Bernard Barber.

Allen and Unwin. 288 pages. 20s.

PUT very briefly, the theme of Mr Barber's book is this: the successful development of any human activity depends upon the characteristics of the human society in which it operates; some forms of society foster its growth, and some retard it. The characteristics most suitable for a particular activity will depend, of course, on the nature of this activity; they will not necessarily be the same for all. Mr Barber is interested in the form of activity known as "science," meaning by this "western" science. By analysing the essential features of the scientific method, he specifies certain conditions which a society must provide if it is to be an "ideal type" for the encouragement of science, and he then goes on to show how western "liberal" society approximates fairly closely to this, providing a framework more congenial for scientific development than any other known alternative. The concrete achievements of physical science, and the support and respect accorded to science in western society, are presented as a demonstration of this.

The social sciences, however (economics, sociology, psychology, etc.), do not enjoy the same degree of support, and in fact face a barrier of distrust and scepticism similar to that which the physical sciences overcame two or three centuries ago, though their basic "morals" are the same. Mr Barber argues that it is irrational to adopt a rational attitude to physical science, and an intuitive one to social science; and he is confident that the latter will achieve successes just as spectacular as soon as western society grants its wholehearted confidence to the scientific method in fields where "common sense" and "human nature" are still the guides most widely trusted.

In many ways Mr Barber's analysis is excellent. It is careful, patient and clear, and in many places displays a quality of reasonableness which can see both sides of a question and discern the area of truth where they overlap. Unfortunately, however—perhaps because he is determined to raise no point that he cannot discuss thoroughly and carefully—he sticks very close to the orthodox line, presenting something more like an exposition of the standard outlook than a thorough-going vindication of it. All through the book, the reader will feel that he is being presented with conclusions against which he feels sure that powerful counter-arguments exist, even though they may be ultimately unavailing. There is one serious weakness: one suspects that western society is not, perhaps, the "ideal type" for the successful development of the social

sciences, which may require additional conditions not demanded by the physical sciences; this Mr Barber does not discuss. Several other unanswered questions, provoked by the arguments of this book, would provide scope for other volumes, which Mr Barber should be encouraged to tackle.

A considerable part of this book is occupied by a fairly detailed "case history" of scientific activity in present-day America—the forms it takes in universities, industry and Government, the status of the profession, and the degree of its general contentedness, problems of publication, and so on. This is a useful and interesting survey, but it does not go quite deep enough to serve properly as a living illustration of the arguments which have preceded it. Once again, one feels that this subject needs a larger canvas, and the human striving and tension lying beneath so many of the bald statements of the survey need exploring more fully. As it is, the two sections of the book seem to a great extent to be discussing different matters.

The style of the book is rather reminiscent of certain commercial varieties of American food—easily digested, of unexceptionable flavour, and seasoned according to formula with quotations and statistics, but for all that rather lacking in character. Here and there, however, one is brought up sharp by some startling American-style innovations, as, for instance, the use of the word "structure" as a verb.

The Sikhs in the Past

THE SIKHS

By Khushwant Singh
Allen & Unwin. 215 pages. 16s.

SARDAR Khushwant Singh's book is as good as his proof reading is careless. He combines the mastery of language which is to be expected from a novelist of his quality with a considerable scholarship and the artist's sensitiveness to the attitudes and feelings of his community. What he has to say is always said simply, clearly and with understanding. Nor does he ever try to make a case by twisting facts; he can admit that the British did so much for the Punjab in the few years after annexation that not a Sikh moved against them in 1857, and he reminds us that it was the members of the Central Khalsa Diwan, long attacked as reactionaries, who led the revival of education at the end of the nineteenth century and first created modern Punjabi literature.

Nevertheless, his book is an expression of a point of view rather than history. This is how the modern, educated Sikh of somewhat Leftist views looks at the Sikhs' past; it is not quite the past as it really was. The British annexation of the Punjab was not an undiluted aggression; the Sikhs gave considerable provocation. The Namdhan troubles in the early 1870s were isolated murders and raids of no great importance. The Ghadr rebellion of

1915 was, in fact, mainly significant for the Communist leaders it bequeathed to the future; one Sikh in 14 still volunteered to fight for the Government. The space Sardar Khushwant Singh gives to these events prevents his investigating the more interesting problem of how the Sikhs became pillars of British rule, and why their support continued till the day it became clear the British were going; the Akali troubles of the early twenties themselves never really shook the Sikh-British alliance, even though the Sikhs had an almost unanswerable case and lost 400 lives to establish it; only the Mutiny and 1942 cost more.

Sardar Khushwant Singh is at his best when he is talking of the Sikh religion. Nowhere else can there be found so concise and readable a summary of Sikh origins, sects and beliefs. Indeed the Sikh morning prayer, which he prints, is so inspiring, and has been so well translated, that it is enough by itself to make the whole book memorable.

Psychiatric Sermon

TO DEFINE TRUE MADNESS.

By Henry Yellowlees.
Sidgwick and Jackson. 215 pages. 12s. 6d.

"BEYOND all doubt, psychiatry holds a lower place in public regard than any other branch of medicine." This statement, which is at least debatable, forms the author's text for his loosely-knit series of essays.

Dr Yellowlees finds some grounds for his assertion in the exaggerated claims which a small minority of psychiatrists have made in the past few years; but more in the irrational fears which the insane have always aroused in lay people; and more still in the ignorance which other doctors and otherwise well-informed laymen still have of the facts of mental illness.

In an attempt to dispel this ignorance he deals in simple terms with elementary psychopathology, delusion, suggestion, hypnotism, anxiety neurosis, and inferiority, and there is an excellent description of morbid depression. His method is dogmatic and his manner arrogant, and there is an undertone of exasperation which in its turn will exasperate others. A curiously old-fashioned air, too, pervades the book, and much of it could indeed have been written a quarter of a century ago. In fact, referring to a gross symptom of conversion hysteria, Dr Yellowlees says "such cases were common during the war," meaning quite clearly the 1914-18 war. Such cases were to everyone's surprise uncommon during Hitler's war.

Dr Yellowlees is much concerned with the relations between psychiatry and the law, and his discussion of criminal responsibility is quite the best section of the book. Perhaps this is because it is derived from an address delivered to a legal faculty and he felt no need to talk down to his audience. He even finds something new to say about the M'Naghten rules.

In a final nostalgic chapter he

describes what it was like to grow up in a mental hospital at the turn of the century. With this unusual glimpse, and a defence of the "bad old psychiatry" practised there, he provides an end to the book that is very much better than its beginning.

Soviet Law

LAW AND SOCIAL CHANGE IN THE USSR.

By John N. Hazard.
Stevens and Sons, Ltd. 310 pages. 25s.

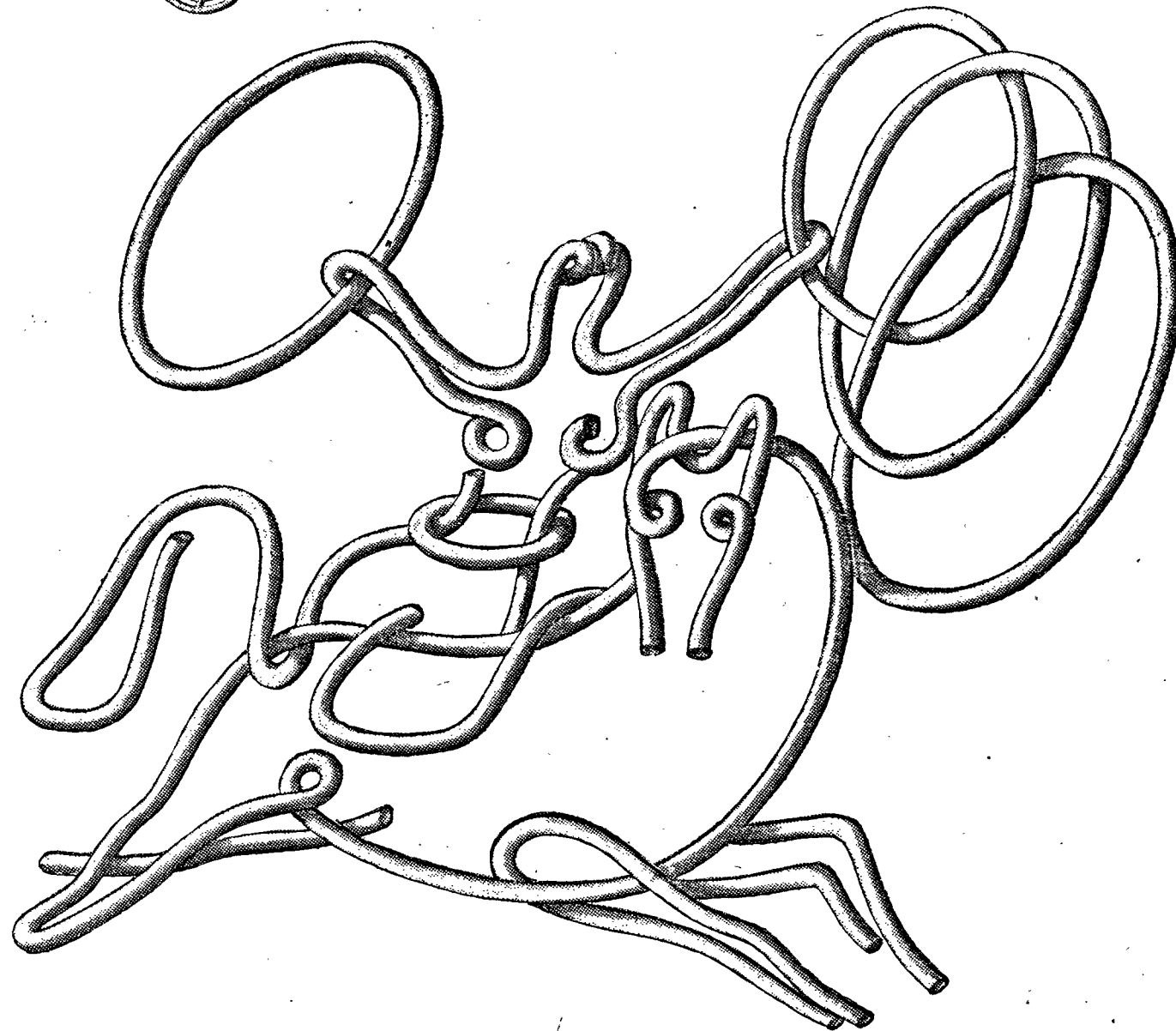
THIS is a knowledgeable and temperately written book which aims at "relating the Soviet system of law as an entirety to . . . the avowed aim of moulding a new society" and showing how "the formulae of the law and the institutions of the lawyer have been utilised to achieve political ends." Its author, Professor Hazard, was formerly a student at a Soviet law school and is now Professor of Public Law at Columbia University.

The first ten chapters describe the successive changes which have had to be made in various branches of law, as the Soviet leaders drove and strove towards a new society, first through war communism, then through the New Economic Policy, and eventually through Stalinist socialism based on comprehensive state planning, rapid industrialisation under state ownership, and the collectivisation and state control of agriculture. The eleventh and final chapter discusses the Soviet approach towards international law and indicates how it has shifted in a number of particulars to suit the changing needs of Soviet foreign policy. In every branch of law examined, the developments over the years have been considerable and sometimes unexpected; and perhaps nowhere more unexpected than in labour law, as Stalin wielded his dictatorship of the proletariat to impose increasingly harsh labour discipline on the Soviet Union's growing army of industrial workers.

Throughout the book Professor Hazard makes skilful use of summaries of cases from Soviet law reports to illustrate how the courts have administered the law in practice. These case summaries help to give life to the dry bones and add greatly to the book's interest and usefulness. A few misstatements and errors occur in places. For example, in the chapter headed "Establishing a new Economic Leadership," which is partly concerned with the freedom of choice enjoyed by factory managers, Professor Hazard says that "centralised control maintains a heavy hand over the managers and influences many of their decisions." The word "influences" in this connection is surely a misleading understatement hardly justified even on the limited evidence of the case summaries given. A more serious criticism is that Professor Hazard nowhere describes how Soviet laws are enacted or how the courts which administer them are organised and staffed. Such subjects as these would seem to be part of his brief, and his book would have been all the better if he had dealt with them.



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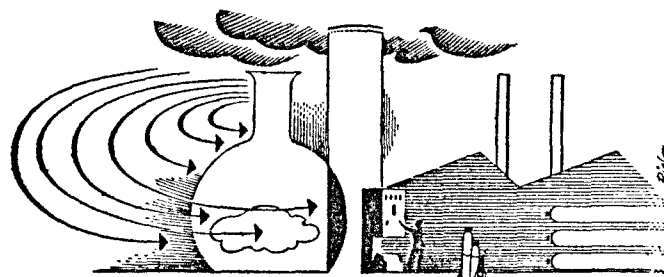
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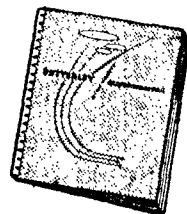
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American Survey

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.

Returns of the Day

Washington, D.C.

ON Tuesday, October 13th, the President went to spend the evening at Hershey, Pennsylvania, where the Republicans of the state gave him "the biggest old-fashioned birthday party in history"—at the old-fashioned price of \$100 a head—in the biggest circus tent in the world. Somebody had baked the biggest birthday cake of recent times: it was seven feet high and rose through the floor like a cinema organ after Mr and Mrs Eisenhower had driven slowly round the arena in an old-fashioned buggy while Fred Waring and His Pennsylvanians played, not altogether inappropriately, "Where, Oh, Where, But in America?," which is said to be one of the President's favourite tunes.

None of this fervour, however, seemed to have communicated itself to the Republicans in the Ninth Congressional District of Wisconsin, most of whom, as was discovered all too soon, had spent the day sitting quietly at home instead of going to the polls. Long before the festivities at Hershey finished the Republican candidate had admitted that the Democrats had, in a by-election, won the Ninth District for the first time in history and he added a bitter little statement about the dislike of the farmer and the labouring man for the policies of the present Administration.

This astonishing result and the appointment of Mr Thomas Burke, a Democrat and the Mayor of Cleveland, to succeed Senator Taft provide plenty of problems for Congress when it meets again in January. The Senate will now contain 48 Democrats, 47 Republicans and one unpredictable independent, Mr Wayne Morse, and the President's party will only be able to retain control of the committee chairmanships because the opposition and Mr Morse are determined that the Republicans shall not avoid responsibility. Mr Morse will vote with them when the Senate is organised, leaving the Vice-President to cast the deciding vote.

That, however, is only the beginning of the trouble. Nobody is quite clear how it is mathematically possible to give each Senator two committee assignments (as the La Follette-Monroney Act provided, having failed to solve the problem of what happened when the majority party was really in a minority) and still leave the Republicans with a majority of at least one on each committee. One suggestion is that the Vice-President should have a roving proxy, but it is not clear whether this would be used on behalf of the President's policies or those of the chairman of the committee in question.

So much attention has been concentrated on the Senate that it has hardly been noticed that Mr Lester Johnson's victory in Wisconsin takes the House of Representatives one step nearer to the same impasse. There are now 218 Republican Congressmen, one of whom presides, 214 Democrats, one independent, Mr Frazer Reams, who is more Democratic than Republican, and two vacant seats. The elections for both the Twenty-fourth District of California and the Sixth District of New Jersey will be held in November and, though both are normally safe Republican seats, neither is as safe as the Ninth in Wisconsin was supposed to be. They are, however, suburban districts and not, therefore, as apprehensive of the Secretary of Agriculture's belief in rugged individualism as agricultural ones. If they were lost—and the Republicans are nervous after some municipal elections in suburban areas of Connecticut in which they did worse than at any time since 1930—control of the House, as of the Senate, would depend on the presiding officer.

★

The organisational difficulties, though fascinating in their way to the political scientist, are as nothing to the political problems that now face the Administration. There is every indication that the President's own popularity and prestige are as high as ever while those of his party in Congress are sinking. Yet it was the agricultural policies of the executive, policies which all Republicans in Congress have been fighting bitterly, that lost the election in Wisconsin. It is true that, in the few sizable towns, the labour vote was solidly Democratic, but that was only to be expected so soon after the Durkin incident, which will be forgotten a year from now, when the Congressional elections take place, though its consequences in terms of failure to do anything about the Taft-Hartley Act may not.

The real blow, however, was the attitude of the farmers and those who, in small towns, depend on the prosperity of the farmers. Governor Dewey, with bitter recollections of his last defeat, has said that his party seems to be doing everything it can to convince the farmers that they were right not to trust the Republicans in 1948. Luckily, the blow came early and they have a year in which to try to regain the farmers' confidence. It seems unlikely that it will be regained as long as Mr Benson remains and there will be growing pressure on the President from within his own party to get a new Secretary of Agriculture. But if the Democrats know their business they will demand his head loudly enough to

make it appear a surrender to the opposition to remove him. Mr Benson may well turn out to be the Acheson of this Administration: a man of infinitely greater quality than most of his colleagues but who, because he insists on being right rather than popular, becomes a grievous political liability.

The Republicans have other troubles which may develop into more than local liabilities. A gentleman called Mr Joseph Fay, at present serving a prison sentence in Sing-Sing for extortion in connection with labour contracts, seems to have an irresistible attraction for some of their more prominent personalities. The Lieutenant-Governor of New York has visited Mr Fay in gaol more than once and the Republican candidate for the Governorship of New Jersey once wrote to the New York Parole Board asking for leniency for him. Mr Dewey, whose perennial presidential ambitions are in danger of being badly hurt, is desperately trying to get rid of his embarrassing lieutenant who refuses to resign. A racing scandal which may make the whole Republican regime in New York look rather less savoury than it is supposed to do, is likely to complicate the situation.

★

There must, obviously, be something very wrong with an Administration that can, despite having a phenomenally popular man at its head, be proved—and the evidence coming in from all the farm states agrees with that provided by Wisconsin—to have lost so much ground in a few months. It is not likely to be regained by such illustrations of what Mr Stevenson meant by "government by postponement" as the President gave at Kansas City last week. All observers in Washington have long been aware that, as Mr Joseph Harsch said recently in the *Christian Science Monitor*,

the Eisenhower Administration has been moving for some time in a pink cloud of composure, complicated by a detectable case of complacency towards its own tendency to indecision

but it was not thought that this knowledge was widespread in the country. Now it seems that domestic opinion has begun to match foreign opinion and to do so on the same rather illogical grounds.

Probably no Secretary of State has ever done so much for his allies in a short time as Mr Dulles has. He took the risk of allowing Dr Mossadegh to stew in his own juice; he welcomed the arrival of British troops in Guiana; and he has underwritten the French war in Indo-China—to give only three examples. Yet no Secretary of State has ever been more unpopular abroad because words, in the modern world, speak louder than deeds and many of his words gave offence. In the same way, at home, the Secretary of Agriculture could produce figures to show that he is in fact doing more to support agricultural prices than Mr Brannan, his Democratic predecessor, ever did; but figures are no use as long as he goes on making the wrong noises.

Mr Harsch finds the explanation for this state of affairs in the fact that "something is wrong with the approach of this Administration to applied political science"—which is another way of saying that it has not yet learned the art of popular government. And there is no sign yet that any of its members, with a few exceptions, of which Mr Harold Stassen, who had previous experience as Governor of Minnesota, is the most outstanding example, have begun, or intend to begin to learn.

Judicial Legacy

FROM A CORRESPONDENT IN NEW YORK

IT is part of the present sensitiveness to differences between Britain and the United States that sensational court cases now attract attention not only for their substance, but also for the way in which they are handled. Americans marvel at the quiet speed with which Christie was tried and sentenced. Visiting Britons ask Americans how it is that cases take so long to pass through the American courts, that newspapers are allowed to comment so passionately on trials in progress, that so many appeals to different judges seem to be permitted, that courts allow such spectacles as were presented in two recent Communist trials and (though much more politely) in the trial of the seventeen investment banking houses charged with violating the anti-trust laws.

Some of these puzzles are made worse by the distortion of distance. Some arise from the primary fact that, though the American system is founded on the British system, it has developed divergences over the years. Moreover, it is confusing to foreigners to find Americans living under a double judicial umbrella, with each of the forty-eight states having its own court system, while the country as a whole functions under the federal system.

The relationship between the forty-eight state jurisdictions and the one big federal one, both in the matter of their respective powers and of the kind of cases each can handle, is established by the Constitution. By and large, the systems function independently, and without undue collision. The great majority of litigation comes within state jurisdiction and is settled there; in a population of 160 million only about 7,000 cases a year are brought to federal courts.

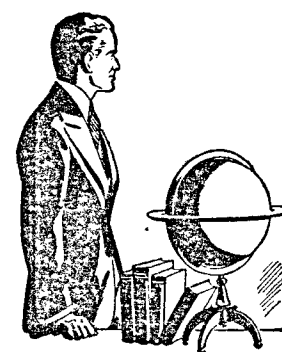
In no sense does the federal system have an appellate relation to the state systems, but in rare cases the highest court of the federal system does hear appeals from the highest courts of individual states. Most of the cases with which federal courts concern themselves come in the first instance to those courts. They include admiralty cases, interstate commerce cases, suits between states, citizenship cases, anti-trust cases, and espionage trials.

Such actions begin in one of the eighty-six district courts, and they may move on appeal to one of the eleven intermediate federal courts of appeal. The final appeal is to the Supreme Court of the United States, which is free to accept or refuse most cases as it sees fit. That is the usual federal pattern. In the matter of the Rosenbergs two more appeals were made possible through a rare and complex procedure allowed on the grounds of a discovery of a new applicable point of law; this the Supreme Court took up because of the great public interest in the case.

★

The state court systems range from very good to rather bad, without arousing much more than local interest. They turn out their daily grist, and it is the business of the citizens of the individual state and no other whether they do it well or not, always provided that they observe certain minimum standards of due process laid down by the Supreme Court.

The federal courts, on the other hand, with their 350 or so judges, are everybody's business. Under the American theory of separation of powers they are the judicial branch



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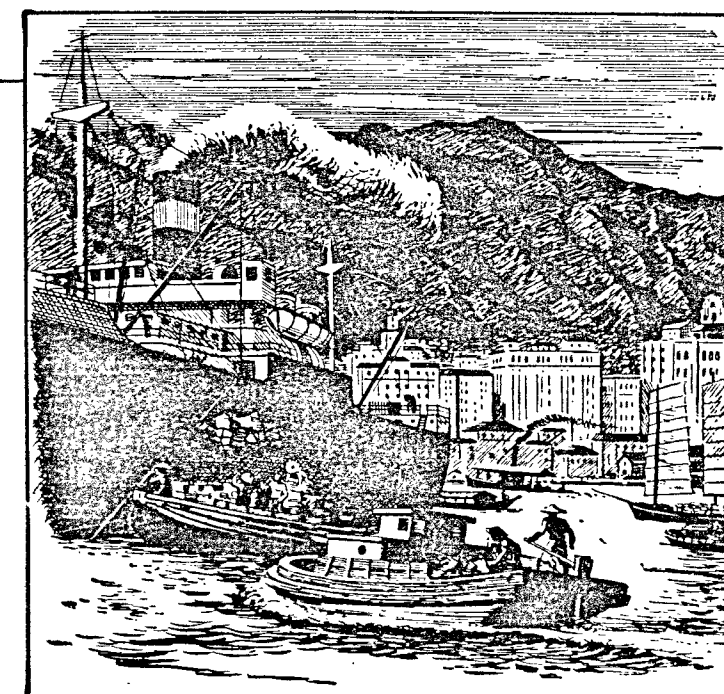
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of the federal government, and by no means sacrosanct. Ever since the late President Roosevelt tried to add Supreme Court justices of his own political persuasion to the nine already on that bench the federal system has been peculiarly subject to the pressure of conflicting political ideas. Not only did the heat of the court-packing argument burn away from the Supreme Court itself a certain encrusted dignity which in quieter times had protected its members from common criticism. The lower courts also, in their turn, suffered from the President's weakness for handling judicial appointments like any other political plums, and awarding them to party favourites rather than to leaders in the realm of law. Matters were not improved by the fact, shown in the delays in filling posts, that there were not enough party favourites to go around.

Thus the Republicans inherited a federal court structure which was overworked, understaffed, and below standard in ability. Moreover, a number of judges had reached the age of retirement, and had to be replaced. The federal Court of Appeals for the Second Circuit (which includes New York) for instance, recently lost its two famous cousins, Judge Learned Hand and Judge Augustus Hand, and a third member of that court, Judge Swan, has also retired. The number of district judges has not kept pace for a decade with the increases in judicial business. Metropolitan congestion is particularly bad.

Meanwhile, lack of funds has added its pressures to the lack of judicial manpower. The entire federal judiciary receives for running costs, about \$26 million a year, or one-thirtieth of one per cent of the national budget. (The Department of Justice, which is the prosecuting arm of the executive branch, had \$198 million to spend in 1952.) Despite the efforts made to find more efficient ways of handling cases, the costs rise faster than the appropriations. In 1951 the Director of the Administrative Office of the US Courts, observing that "more judges must be provided if the litigants are to have prompt disposition of their cases in the Federal Courts," also noted that he needed more money for such elementary items as law books and typewriters.

What the Republicans will do about the situation remains to be seen. So far their best publicised appointments have tended to follow the Democratic pattern rather than to refurbish the proud Republican tradition established by the appointment of a brilliant legal mind like Charles Evans Hughes, or a skilled legal administrator like William Howard Taft to the Supreme Court. The new Chief Justice, Mr Warren, of California, may prove himself in the second category, or at least that is what some of his friends hope. Meanwhile, Mr Danaher, of Connecticut, a politician whose rumoured appointment to a vacant post in the Second Circuit evoked protests from the New York bar associations, has been shifted to the District of Columbia, where standards seem to be less jealously guarded.

The shortage of judges and the crowded calendars explain to a certain extent the length of time it takes to get cases through the courts. But the actual record is better than it looks. Long cases, like spectacular ones, catch the public eye and are remembered. The Investment Bankers' case, which was prepared in Washington about 1940, filed in 1947, and came to trial in 1950, was dismissed in mid-October of 1953, after 309 court days spent in hearing. But it was an exceptional monster. Out of 5,051 civil trials in US District Courts during the year ending on June 30, 1951, only four cases took a month or more, while 3,862 (78 per cent of them) were disposed of in a day or two.

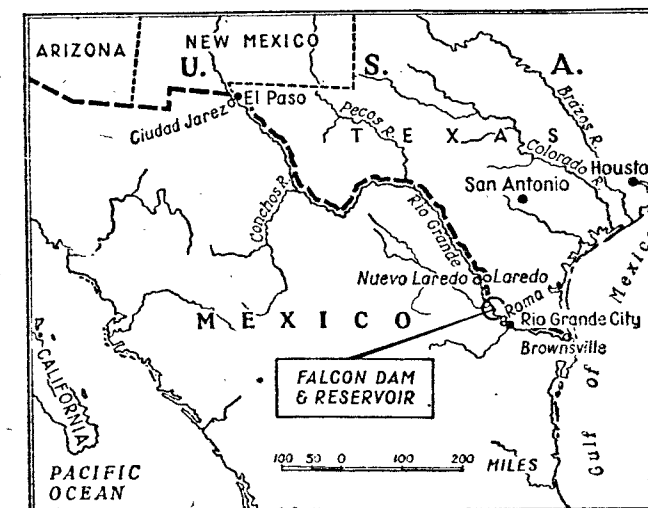
The record in criminal trials, despite such dragged-out horrors as the Rosenberg case, was almost as good.

This record has been made possible by the new Federal Rules of Civil Procedure, which were introduced about fifteen years ago in an attempt to save time by having lawyers for both sides free to examine all witnesses before the case came to trial. The hope was that the element of surprise would be eliminated, and the judge would be free to concentrate his attention mainly on the relevant points of law. It seems not to have been foreseen that legal costs would rise as lawyers find themselves caught in endless detail during the examination of witnesses when there is no presiding officer competent to cut short or control the scope of inquiry. Similarly, the time a judge must spend on a case in court has apparently dropped, but the time he spends in chambers reading records may have increased.

American Notes

Good Neighbours on the Rio Grande

THE opening of the Falcon Dam on the Rio Grande, which forms a large part of the border between Mexico and the United States, has provided a welcome symbol of renewed life in the good neighbour policy. Latin Americans complain that it withered while Washington was concentrating on Europe's problems. The early dispatch of Dr Milton Eisenhower on a good-will tour showed how anxious the President was to dispel any feeling of neglect. Mr Cabot, the Assistant Secretary for Inter-American Affairs, who accompanied the President's brother, promised recently that government aid, including technical assistance, would continue to supplement private investment; indeed, technical aid, which is so badly needed, will be 10 per cent greater this year than last. The President's ready response to Bolivia's plea for help shows that even radical governments, with a propensity for nationalisation,



can count on emergency assistance, provided they are not as clearly under the Communist thumb as Guatemala. It is not overlooked that the United States might be dependent on Bolivia for tin in the event of war.

Both the American and the Mexican President paid tribute, when they met, to the co-operation which has made it possible to harness the Rio Grande for the benefit of both peoples. The \$50 million Falcon Dam is the first of three which are designed by the International Boundary and Water Commission to rescue northern Mexico and southern Texas from such droughts and floods as they have experienced this summer and to provide hydro-electric power. The cost has been apportioned according to the storage capacity allocated to each: 58.6 per cent to the United States, 41.4 per cent to Mexico. The other two dams are expected to be built at El Paso and Laredo.

If the meeting had not been so determinedly confined to a good will festival, and some mutual irritations had been aired doubts might have been raised, however, about the future of the grand conception. The Americans suspect that there is not going to be enough water for one, let alone three reservoirs, because the Mexicans have not honoured their gentleman's agreement not to dam the rivers which flow into the Rio Grande from their side. The tributaries on the American side have long been dammed. The new reservoir will become an unhappy symbol of inter-American co-operation if it is allowed to run dry.

McCarthy's Second Wind

IT looks as though Senator McCarthy may have struck pay-dirt at last in his search for Communist activities and thus secured a new lease of life for his own objectionable methods. At the Fort Monmouth, New Jersey, radar centre of the Army Signal Corps, the Senator and his fellow investigators claim to have uncovered evidence that secret documents were purloined by a spy ring headed by Julius Rosenberg, who was executed in June for atomic espionage, and that some of these documents have turned up in Soviet laboratories in East Berlin. It is hinted that the ring may still be active, but Senator McCarthy has been careful not to say so; some of the other investigators complain that the trail is over five years old and cold.

The Secretary of Defence has conceded, however, that "something more than a mere security leak may be involved"—though this would be bad enough where secrets of atomic defence are concerned—and the Secretary of the Army has been attending the hearings, although he may have been keeping an eye on Mr McCarthy as well as the witnesses. A search for secret documents alleged to be missing from Fort Monmouth was conducted by the Army in 1951 and last year a clean bill of health was issued. The Army is still sticking to its guns; it claims it has no evidence that any documents were tampered with and that those in Russian hands, if they really exist, might be accounted for quite legitimately, as information was shared with the allies during the war. But it has suspended ten civil servants at Fort Monmouth for "security reasons."

Senator McCarthy has other reasons to be gratified. The Attorney-General has announced that he finds no grounds for prosecuting him, although his income tax returns are still being examined. The State Department has demoted

two officers who incurred the Senator's displeasure. And one of his friends, Mr Lee, has been appointed to the Federal Communications Commission, although he has no experience in that field.

Some critics will also see Senator McCarthy's hand in the President's order that government employees may be dismissed if they invoke their constitutional right to refuse answers to questions about their loyalty; it coincided very patly with the Fort Monmouth investigation, although Mr Brownell, the Attorney-General, insists there is no connection. But few Americans, even if they detest McCarthyism, are alarmed at this whittling down of civil servants' rights. There has been too much brazen abuse of the Fifth Amendment to the Constitution, which says that a man cannot be forced to incriminate himself. Most comment is satisfied with the argument that whatever a man's constitutional rights, he has no inherent right to a government job. There is less agreement, on practical grounds, with the Attorney-General's proposal that other stubborn tongues should be loosened by a promise of immunity from subsequent prosecution. Bills to authorise such bargains have been put before Congress already, but there are difficulties: they could not protect a witness from state action, and they empower Congressional committees, whom Mr Brownell fears might be subjected to political pressure, to decide when an offer of immunity should be made.

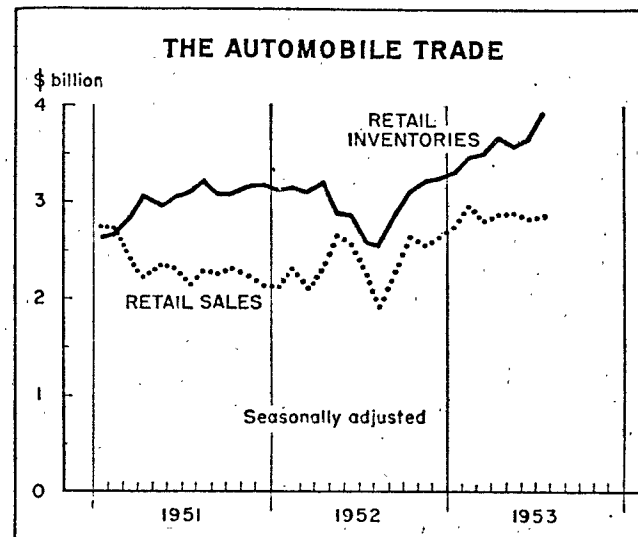
Automobiles Shifting Gears

COMPETITION for sales in the first normal market since the war is making automobile manufacturers wonder whether they may not have to put a brake on the assembly line. Most of the 42,000 retail dealers, hard pressed to dispose of the monthly quota of new cars they must take to retain their franchises, would probably applaud a decline in the present high rate of production. They point out that, although 4,400,000 cars were turned out in the first eight months of this year, only 3,900,000 were sold. The slow autumn season finds most dealers with very high stocks and sales are increasingly difficult unless big sums are spent on promotion, discounts and trade-ins. Only those dealers with a large volume of sales are satisfied with the present low unit profits.

Main Street's view has so far been supported in Detroit only by Mr Paul Hoffman, chairman of the board of the Studebaker Corporation, who describes the present position of dealers as "profitless prosperity." Most manufacturing executives, however, are still acting on the assumption that for every car there must be a buyer, and do not agree with Mr Hoffman that the industry should reduce its output from the present "unhealthy state" as his firm has done. Even though the industry's forecast of a home market for 6 million cars this year has proved too sanguine, it is hoped that domestic sales may reach 5,750,000 and export sales over 300,000, against an estimated production of 6,250,000 cars. This was surpassed only in 1950, when 6,658,000 were produced. The automobile firms argue that dealers must adjust themselves to a market in which their customers have to be courted, not simply received. If the dealers had not been pressed to work for business, sales would have fallen even lower. Admittedly, however, production has been forced higher by the battle between the

two most popular models, the Chevrolet and the Ford, for first place, and the smaller independent firms, caught between these rivals, have been left with less and less of the market. Their share has declined from 14 per cent of all automobile sales in 1952 to about 9 per cent in 1953, and rumours of mergers may indicate the solution that some of them will adopt.

The struggle will be even sharper next year; it is believed that sales, now that the scarcities caused by controls have been overcome, will drop by 10 per cent, and probably more



if there is a recession—though full production in the automobile industry is so important to the economy that any curtailment may help set off the very decline the industry fears. The 1954 models now being shown have many changes in style and also in engineering details; prices are not higher, and credit terms are expected to be easier. Detroit hopes that this combination of attractions will coax at least 5,500,000 buyers into the seats of new cars, for it is still convinced that salesmanship, rather than drastic reductions in price or output, can carry the day.

Full Employment for Mr Nixon

MR. NIXON'S arrival in Australia on the first leg of a goodwill tour as the personal representative of the President confirms other evidence that under this Administration the Vice-Presidency is no longer what its first incumbent, John Adams, described as "the most insignificant office that the invention of man ever contrived." Mr Eisenhower seems not to share the reluctance of his predecessors to contemplate the kind of contingency that would throw the spotlight on the heir apparent, and to be taking steps to see that in case of need Mr Nixon shall not be unprepared. In the process he seems to be turning a brash young politician, whom he nearly had to repudiate during the election campaign because of allegations about a private expenses fund, into a quiet, hard-working understudy.

In its way the Vice-Presidency is a unique institution, in that here the executive and legislative branches, otherwise kept apart, are allowed to overlap. Although he is a

member of the Administration, the Vice-President is also the presiding officer of the Senate, holding a casting vote which is particularly important when, as now, the parties are evenly divided. Taking advantage of this duality, Mr Nixon, who has far more legislative experience than any other member of Mr Eisenhower's team, has been able to act as a channel of communication between the White House and Congress. This service may be all the more necessary in the second session of this Congress because of the death of Senator Taft.

On the executive side, Mr Nixon has, contrary to all precedent, been taking the chair at meetings of the Cabinet and the National Security Council in the President's absence. The Vice-President is a statutory member of the Security Council, which has greatly increased in importance as a policy-making body under Mr Eisenhower. Moreover, outside the council chamber the President has been trying him out on tasks of some delicacy. It was Mr Nixon who had to deliver a soothing message to the annual convention of the American Federation of Labour immediately after the resignation of Mr Durkin, and his appointment to head the commission which is to make employers understand that they cannot hope for government contracts if they practise racial discrimination was intended to show the President's special interest in that issue.

So far Mr Nixon has performed most of these tasks with credit, though his rather strained efforts to act the peacemaker provoked some derision among the assembled trade unionists. But he will have to face many more tests yet, in the knowledge that his performance is being watched with care by the professionals who may have to assess presidential timber if Mr Eisenhower should decide not to shoulder the burden for a second term.

SHORTER NOTES

Rising expenditures on foreign military aid in the year which ended on June 30th more than balanced a decline in economic assistance, bringing total American foreign aid to an all-time high. Gross foreign aid totalled \$7 billion, of which \$4.3 billion was spent on military aid and \$6 billion on economic aid; in the previous year, economic assistance grants totalled \$3.2 billion and military aid \$1.9 billion.

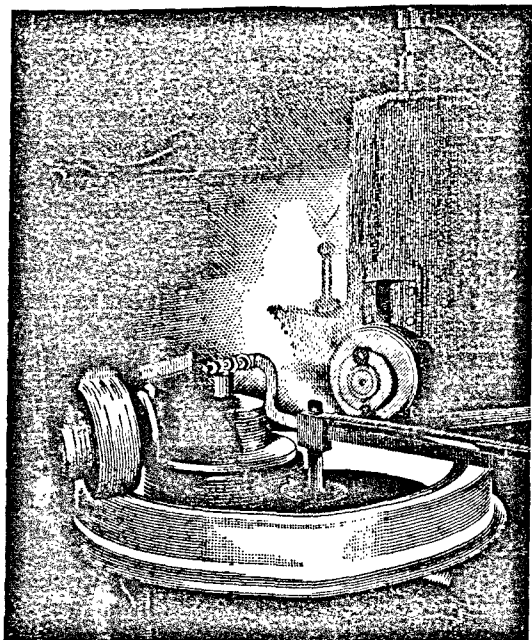
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In order to keep the public debt under its \$275 billion ceiling, the Commodity Credit Corporation has invited commercial banks to take over a \$360 million "pool" of price support loans on tobacco and grains. The banks, who will receive certificates bearing 2.5 per cent annual interest, have previously purchased cotton loan certificates, but this is the first time the government has asked for such investment in its programme for other commodities.

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Some considerate corporations are delaying their dividend payments from the usual December posting until January, when their stockholders will benefit from the 10 per cent reduction in personal income tax on January 1st.

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Atom-Minded Australia

FROM OUR CORRESPONDENT IN SYDNEY

DURING the past six months Australians have become more atom-minded, if that is the right word, than almost any other nation. They have been helped towards this state of mind by the decision of the British Government to test atomic weapons, first at Monte Bello off the west coast, and then near Woomera in the centre of their spacious but barren land. But the real reason for this intense interest is the sudden discovery that Australia probably has larger reserves of uranium than any other country in the democratic world.

One writes "probably" because the plain truth is, as Mr Menzies himself has said, that nobody yet knows how much uranium there is. But in addition to the fields which are already being worked at Rum Jungle in the Northern Territory and Radium Hill in South Australia—both of which are more extensive than was first thought—new fields are being found almost every month. The Australian Atomic Energy Commission, usually a somewhat retiring and secretive body, has just begun to exhibit for public inspection a map showing radioactive areas in the Northern Territory which have been discovered by aerial survey. These show 900 radioactive anomalies of different degrees of intensity—indeed, the map is covered with a rash of these significant dots. If only one in a hundred of these anomalies proved to be uranium deposits of economic importance, the prospect would be staggering.

The question which is now exercising the Australian public is how best to exploit this unsuspected store of wealth which has been found in some of the most remote and arid parts of their continent. At present all the uranium that is being mined at Rum Jungle and Radium Hill—as yet in small quantities—is being sold to the Anglo-American Combined Development Agency, which is providing substantial loans for the development of these fields, as well as technical advice and special equipment. The terms of this ten-year agreement, including the price, have been kept secret, ostensibly for reasons of security; but Australians were taken aback by a report in a London newspaper that Britain was paying 31s. 3d. per lb for Canadian uranium ore, but only 16s. 3d. per lb for Australian ore. This may or may not be true, but the result was unfortunate. It immediately gave rise to suspicions, never far below the surface of the Australian consciousness, that in some way Australia was being exploited by selfish and calculating men "in striped pants" in Whitehall. The situation was not helped by a failure of public relations over the Woomera

tests, about which the British Government certainly showed a remarkable insensitivity to Australian feelings.

It was at this moment that Lord Cherwell, moving in an atmosphere of almost aggressive secrecy, entered the scene. While the Australian press was waiting patiently for the first atomic bomb to go off at Woomera, Lord Cherwell went to Canberra for talks with the Federal Government. A report was published on good authority that he was trying to negotiate a thirty-year agreement under which Australia would sell its surplus production of uranium to Britain as part of a long-term plan to use atomic energy for industrial purposes. This was too much for the Australian public. Almost every paper came out with leading articles, many of them well-reasoned and moderate in tone, pointing out that Australia's uranium deposits represented its wealth for the future and could not be disposed of in this furtive way without at least some thought and discussion. Dr Evatt, the leader of the Opposition, took up the matter in Parliament, and Mr Menzies was quick to give the required assurances. Whether Lord Cherwell had in fact asked for a thirty-year agreement of this kind is uncertain; it is certain that he did not get one.

It should be said here that the great majority of the Australian people are perfectly prepared to sell all the uranium wanted for making atomic weapons. If necessary, indeed, they would give it to Britain and the United States, whose friendship they value and on whose protection they rely. What they are not prepared to do is to sell their uranium for industrial purposes until they are quite certain that they have enough for their own use. Rightly or wrongly, many Australians are now convinced that uranium holds the key to the industrial development of their own country and that Australia's day will come when the rest of the world has consumed its reserves of oil and coal.

Unfortunately useful discussion of these subjects is made almost impossible by lack of information and by the often maddening restrictions of security. Since no one knows what Lord Cherwell's offer was, it is impossible to say whether the Federal Government acted wisely or foolishly in rejecting it. Without even knowing the price which is at present being paid for uranium ore, it is extremely difficult to discuss what price should be asked for future exports. There is a school of thought which believes that the present relatively high price for uranium will not last more than twenty years and that Australia would be well advised to cash in while the going is good. After that time so little

uranium will be needed and so much will have been found that the price will collapse. But this is still a matter for speculation rather than calculation.

Quite clearly the first thing for Australia to do is to find out, so far as it is possible to do so, just how much uranium it has. And it is here, as Lord Cherwell is said to have complained, that the Federal Government has been somewhat dilatory. Indeed, until quite recently it almost seemed as though the Government's policy was to do as little as possible itself and to discourage private enterprise from doing any more. The price first offered—17s. per pound of uranium oxide—was ridiculously low, and prospectors were given no security that their titles to mines would be respected. Indeed the Atomic Energy (Control of Materials) Act of 1946 was so ambiguous on this point that some discoveries of uranium are said to have been deliberately suppressed. Moreover, the Federal Government, unlike the State Government of South Australia, was for a long time unco-operative in giving private industry access to technical resources and geological information. Recently this policy has changed. In February the internal price offered for uranium ore was more than doubled though it is still far below the prices offered by the United States Government. The development of the Rum Jungle field has been given to the Consolidated Zinc Proprietary Limited as agent for the Commonwealth Government. And the uranium map of the Northern Territory has been deliberately published—against, it is said, the advice of Lord Cherwell—in order to encourage prospectors to go out and try for themselves. There is still, however, a great deal to be done not only in prospecting but in developing roads and railways which will certainly be needed if uranium is found in any quantity.

Security Blackout on Uranium

When more is known about the extent of its uranium resources, Australia will be in a far better position to decide how to use them. If, as seems probable, it has enough to export on a large scale without seriously affecting its own future needs, it will be in a very happy position. But it will still not have taken even the first step towards the use of atomic energy for industry in Australia. At present Australia cannot even convert its uranium ore into uranium oxide. Next year, when refining plants go into production at Rum Jungle and Port Pirie (in South Australia) it will be able to do this but it will still be unable to produce uranium 238 let alone convert it into industrial power. So far there is not even an experimental reactor in Australia though smaller countries, like Norway, have had them for two years.

One of the first things to be decided, therefore, after more is known about uranium resources, is at what point Australia should enter the technical field. Should it, for instance, build a refinery to produce metallic uranium, which would cost at least £1 million, or reimport its metallic uranium already refined in Britain? Should it, as Mr Playford, the energetic Premier of South Australia, and others say, build an experimental reactor—at anything from £1 million to £7 million—or continue to send its scientists to Britain to take advantage of what has already been learnt there and to wait for still further advances?

The frightening thing is that such questions, which involve national pride and personal jealousies as well as the most difficult scientific and economic considerations,

are not being discussed at all because of the mystic word, "Security." Perhaps they will never be discussed until after the decisions have been made. But there is no doubt that the British Government could help greatly both in public and private discussions by taking into account Australia's own aspirations and by trying to carry the Australian public along with it. Would it be possible, for instance, as part of any further agreement, for Britain to help Australia to build an experimental reactor in Australia even if this were not strictly justified on practical grounds? What must be avoided at all costs is any suggestion that Britain regards Australia as some Arab State whose deserts can be used for dangerous experiments and whose uranium can be bought at the cost of a few Rolls-Royces for the local sheikhs.

Nyasaland: Storm in a Teacup?

FROM OUR SPECIAL CORRESPONDENT

"ALL quiet"; "no major disturbances"; "situation very much improved"—official reports from Nyasaland have a flavour of almost monotonous tranquillity. But at the same time it is casually mentioned that in one district (Mlolo) "fifty-one people were arrested," while penalties against Africans have been greatly increased—life imprisonment for taking part in a riot (instead of five years); life for "doing grievous harm to another person"; fourteen years for stealing or wounding a cow; fourteen years for "helping to manage an unlawful society." It is perhaps not surprising that Lieutenant-General Sir Alexander Cameron, after his second visit to Zomba, said in Nairobi that "the disease which caused the recent disturbances is still there." What precisely is it?

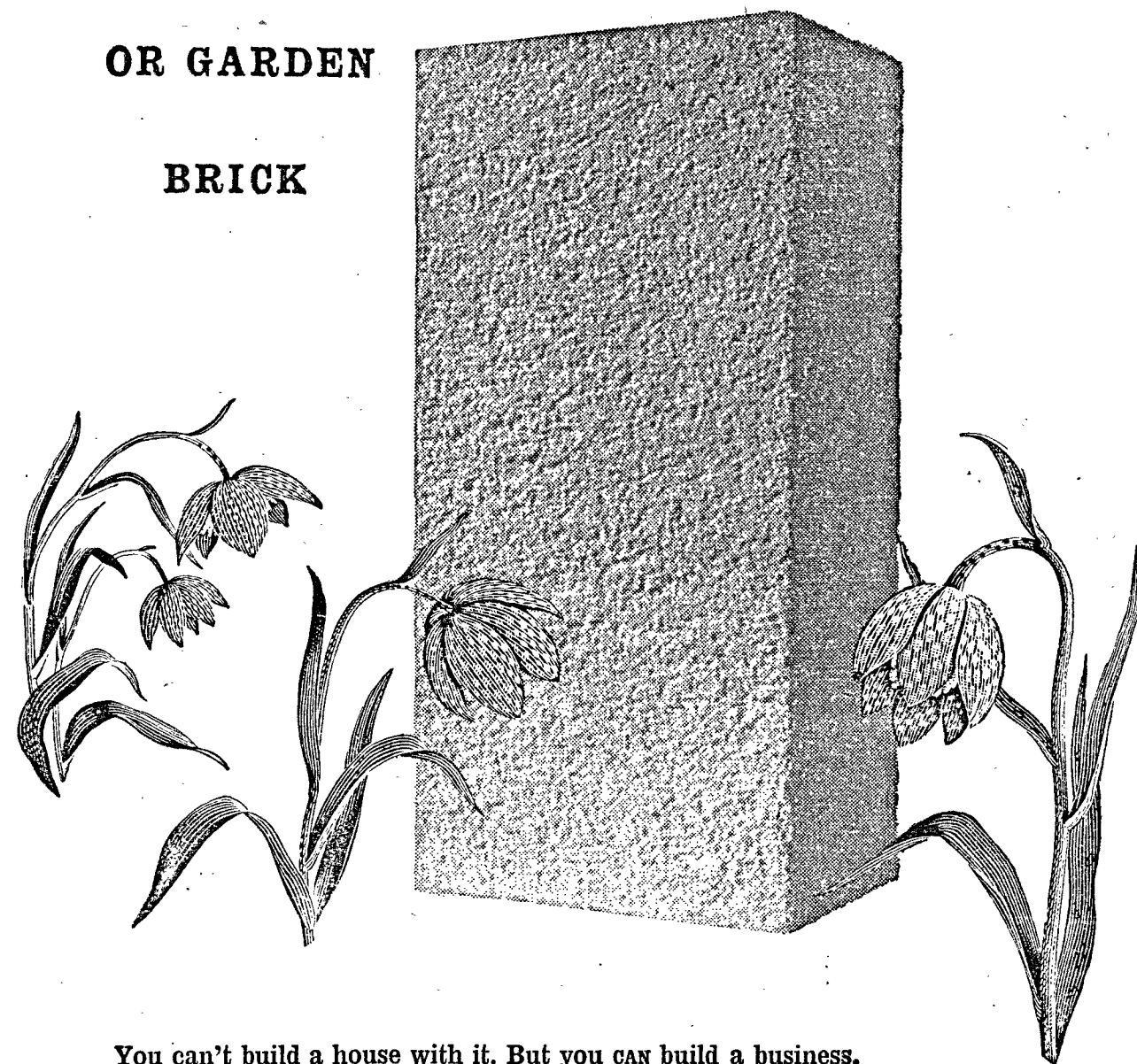
The disturbances began at Cholo, an area of white settlement and large tea estates. They appear to have taken the Nyasaland African Congress by surprise, though Congress immediately climbed on the band-wagon and said the disturbances were a protest against federation. The Africans in the Cholo area have had a land grievance for a long time, and the Nyasaland Government recognised this by setting aside some thousands of acres for African settlement. At the same time, the Government admits that more land for Africans is still required. But federation did play a part. Congress has repeatedly warned Africans that federation will mean more white settlement in Nyasaland, consequently less land for Africans. This propaganda acting on existing land hunger helped to precipitate the explosion. It is significant that the unrest quickly spread to areas where Africans have no land grievance.

In his *boma* at Chikwawa, across the crocodile-haunted Shiré River and below the escarpment of Nyasaland's little "White Highlands," Mr Commissioner Saunders has very successfully and benevolently ruled over some 75,000 fairly primitive Africans, occupying about 2,000 square miles of bush country, with the aid of only four African policemen. This is fairly typical of conditions in Nyasaland, a pretty country about the size of Scotland, with a black population of 2,500,000 and a white population of only 4,400 of whom more than half are civil servants and missionaries. After the spread of the disturbances, police and troop reinforcements began to roll slowly—for there is only one ferry—across the Shiré River into Mr Commissioner Saunders's

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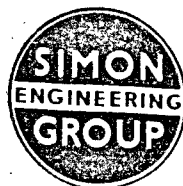
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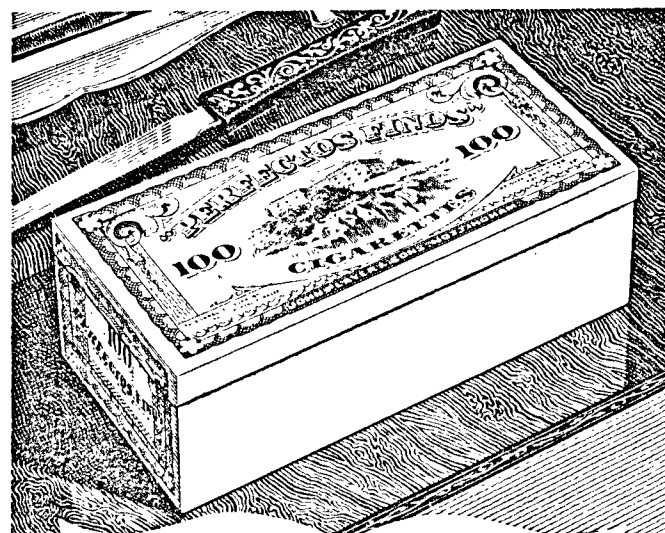
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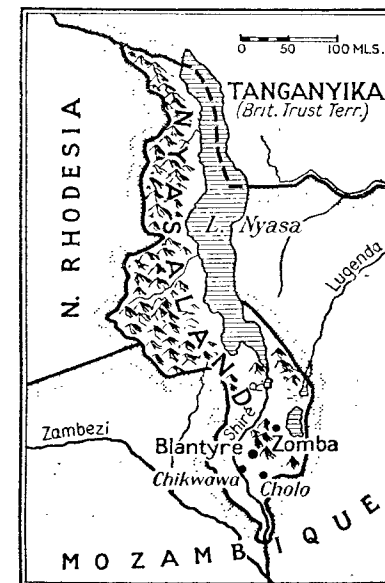
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territory. Mr Saunders' formerly peaceful people built hundreds of rather ineffectual road-blocks, then disappeared sullenly into the bush, deserting their villages. This is typical of what happened in several parts of Nyasaland after the disturbances had begun.

A senior official said frankly: "It was quite simple to rule a large area with only four policemen while the people still had faith in the white man. Now that they seem to have lost that faith, can we rule the same area with even 400 policemen?" This is a good summing-up of the problem. What caused the loss of faith? Federation seems to be the answer, or rather the interpretation of federation which Congress gave to the Africans and which they believed. The significant thing is that they refused to believe the official white interpretation; Mr Kittermaster of Lusaka Radio has reported that government broadcasts on federation were very unfavourably received, in the Rhodesias as well as in Nyasaland. There can be



little doubt that the mass of Africans, rightly or wrongly, were strongly opposed to federation.

The attitude of many of Nyasaland's white settlers has not helped matters. The disturbances immediately revealed a wide gap between official thinking, and that of the farming and commercial interests. Not a single white person was or has been molested by rioting Africans, who vented their dissatisfaction on inanimate objects such as orange trees; build-

ings and telegraph poles. Nevertheless, at the first sign of trouble, the Europeans in places like Blantyre were all for "shooting them down and burning their villages." The Nyasaland Government was quite wise to ask for trained and disciplined police units from the Rhodesias and Tanganyika, and to depend as little as possible on local white volunteers. White officials in Nyasaland have in the past been fairly sympathetic towards Congress—which the Government helped to start—but the country's handful of white settlers and businessmen have, with some exceptions, always been hostile. They are opposed to any political activity among Africans. After the disturbances began, they showed strong resentment against British and other newspapermen who tried to find out what Congress policy was, and who were seen speaking to Congress leaders.

Nyasaland has not, in the past, been a country where things moved fast. African land grievances, where they are admitted to exist, have been smouldering since 1903. The Nyasaland African Congress did not come into existence until the nineteen-forties, and is still very much an infant organisation. Nobody works very hard in Nyasaland. The country is poor and undeveloped. Blantyre, the commercial capital, has a white population of only 500. It snoozes very comfortably in the sun and shows little disposition to grow. African wages are low, averaging about

30s. a month, if the food ration is included. Thousands of Nyasaland Africans emigrate each year.

The white farming and commercial interests appear to have imagined—and to imagine—an indefinite continuation of this tranquil if unprogressive state of affairs. But Congress exists, and so does severe and growing African land hunger in certain important areas. A surprising and disquieting feature has been the apparent absence, before the disturbances began, of any appreciation of the bearing which events in Kenya might have on the situation in Nyasaland. It is true that there is no evidence as yet of anything like a Mau Mau organisation in Nyasaland. On the contrary, the Africans in their campaign of civil disobedience have not attacked persons, though they have destroyed property. But this situation could easily change for the worse.

A restraining factor has been the attitude of the chiefs. Some very influential chiefs supported Congress, but set their faces resolutely against violence. Others agreed to support federation; many of them were deposed by their villagers for doing so. Some of the chiefs who sided with Congress in opposing federation are now anxious for a settlement, in order to put an end to the disturbances. But the sort of settlement they have in mind does not imply surrender. Since federation is an accomplished fact, they are prepared to "make it work" provided it means what the Government says it does. This proviso is important. The African leaders in Nyasaland, both Congressmen and chiefs, will, like African leaders elsewhere, continue to press for more education, more land for African use where it is needed, and a larger political voice in the country's affairs. Their deep distrust of federation will be lessened only if it can be shown that it is not incompatible with these aspirations.

But the common white attitude in Nyasaland, outside official circles, is to resent these healthy and inevitable African growing pains as "insolence," and to call loudly for the suppression of even moderately conducted African political activities, if necessary by force. This sort of attitude, only too common, makes the situation both dismaying and frightening for the outside observer. Before the recent disturbances, Nyasaland was an eminently peaceful country, though with a good deal of simmering unrest just below the surface. There is still time to restore peace, but it will not be done merely by stepping up the penalties for Africans.

Bucharest After the Festival

BY A CORRESPONDENT

THE Bucharest which enchanted some 30,000 young people from all over the world during its recent World Youth Festival is slowly disappearing, as the Rumanian capital again puts on its drab workaday garb. The diversity of flags, with their gay colours, which greeted the visitors has been replaced by the shabby red flags which, as before, outnumber the red, yellow and blue Rumanian flags by three to one. Gone, too, are the friendly "peace" posters which for a couple of weeks took the place of the huge ugly anti-"warmonger" cartoons; and the street newspapers which distort the facts about the western world are now back in place on the walls.

In only ten days, the young French delegates, who were prevented from returning home by the railway strikes in their own country, witnessed a strange transformation of the city as they had seen it on their first arrival. They reported that all the big hoardings for the Festival had been painted in red—a colour which had been outlawed in order to please the visitors from the west. They were also struck by the sudden influx of Russian soldiers, who had been almost completely absent during the Festival. According to a Bucharest newspaper, the very streets have been allowed to return to their ill-kempt pre-Festival condition; “rubbish deposited here and there has begun to putrefy,” and in some districts of the city nobody has troubled to repair the water conduits which have been broken for more than a month, although some streets are literally flooded.

As for the famous “23rd August Park for rest, culture and sport,” it is closed and apparently constitutes something of a public nuisance to the inhabitants of the neighbourhood who have to make what amounts to an “excursion” right round the enormous enclosure, instead of traversing it in under ten minutes as they did when it was open. The writer who reported this in a Bucharest newspaper was passed on from the “Parks and Gardens Service of the People’s Council” to the “Physical Culture and Sports Service,” and from there to the Executive Committee of the Council, only to discover that the Park was not shut down for any particular reason, but only because nobody had given the necessary orders. It is clear that the old oriental administrative indifference is coming into its own again.

But the alteration in the food situation is even more striking than the changed aspect of the city. White bread, which was never rationed and used to cost 5.35 lei the kilo, was sold during the Festival at 3 lei; it is now up to 4.80 lei again—a rise in price representing more than an hour’s pay for the average worker; and this after an exceptionally good harvest and only a few weeks after the announcement of a new policy designed to raise the standard of living.

Pastries With a Past

The quality, quantity and diversity of pastries, cakes and all kinds of confectionery was one of the things that greatly impressed many of the young visitors to the Festival. They would have been surprised to read in *Informatica Bucurestiului* on September 26th of the “almost complete disappearance from the shops of many very popular varieties of gateaux,” to say nothing of a sudden lowering of the quality and reduction in the assortment of “petit fours,” sweets and fondants which are “often in unjustifiably short supply.” It must be admitted that with fancy cakes at 3 lei each not many of Bucharest’s citizens were in a position to take full advantage of the short-lived Festival plenty.

The quality of the clothing available in the shops is now so poor that the customers prefer to do without; in any case the supplies now arriving in the shops often consist of thin summer clothes instead of the warm winter clothes which people now need. The supply situation is best illustrated by the reply of a young salesgirl in a children’s shop in central Bucharest, when questioned by a newspaper reporter: “I find it very hard to be unable to offer my customers the goods they need, which now that autumn is so near are absolutely necessary. I have only got cotton goods in stock, and when a mother asks for a baby’s woollen bonnet, how can I suggest that she buys a sun-suit?”

Alberta’s Natural Gas

FROM OUR OTTAWA CORRESPONDENT

CANADA’S “oil province,” Alberta at the foot of the Rocky Mountains, is in trouble. Oil production is being held down, extractive industries are being discouraged, and thousands of dollars are being burnt daily, because no outlets have yet been provided for natural gas. It is a paradoxical situation. Large potential markets for Alberta gas have been trying to get access to it for these past three years. The Pacific northwest states of the United States got in first. They were put off by an Alberta decision, which the Canadian government supported, that their supply should come, not from the large and accessible reserves in the southern part of the province, but from the equally promising but more remote deposits up in the north. A company called Westcoast Transmission got permission from all the Canadian authorities to build a pipeline from the Peace River valley, drawing on wells both in Alberta and British Columbia, down to Vancouver and over the border to Seattle and the other major American cities of the northwest. Canada proposes, but the United States disposes. In this case the pipeline into Washington State requires a licence from the Federal Power Commission, which has a conflicting application from an American company anxious to supply the same area from the mid-continent field. The FPC is still examining the two applications.

In the meanwhile, great quantities of gas are released from Alberta’s wells in the process of drawing off oil, for which there is a market. The wastage in the first half of this year was more than 10 billion cubic feet, and the rate is rising. It will probably reach 25 billion before the end of the year. At a wellhead price of at least 10 cents per thousand, the direct financial loss runs into millions of dollars per year. The city of Toronto, with something over a million inhabitants, has at last pulled off a deal to pipe in 22 billion cubic feet of natural gas a year from the southern American fields; this is somewhat less than Alberta is wasting.

Government Guesses Wrong

The long delay over Alberta’s natural gas is due to the provincial government’s idea that the gas should be kept at home. It has insisted that the province’s foreseeable needs for 30 years must be safeguarded before any gas is exported; it obviously hoped that new industries would move to the gas if the gas did not go to them. This conception has now proved self-frustrating. The group of industries known as “petro-chemicals” can, as Alberta’s Premier, Mr Ernest Manning now admits, only profitably extract many valuable by-products from natural gas provided they have a market for the remaining fuel. Alberta therefore has now become eager to export its gas.

After all this delay, however, it is not quite so easy to get the gas out. It is necessary to have a gathering grid of pipelines feeding into some central point, probably near the south-eastern boundary of the province, from which a large diameter pipeline can carry the gas to market. But this involves a major argument. Rival pipeline promoters, each with formidable financial backers in the United

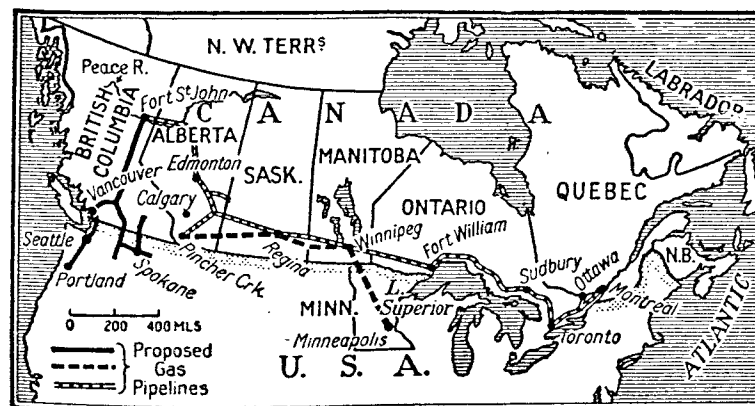
States as well as in Canada, are in fierce competition for the right to build the pipeline. It requires a big investment, but provided all goes well it offers a steady annual return at a high rate to the equity stockholders.

The nearest market to Alberta’s major wells, now that the short route to the Pacific Northwest has been ruled out, is in Minnesota. One of the two rival companies seeking a licence from the Alberta Conservation Board wants to build its line east across the Canadian prairies to Winnipeg and then south to the American border for sale to an American utility company. By this scheme the line could probably be built by the end of 1954 and Alberta could start selling its gas within about a year from now. The other competing company has a more ambitious scheme. It wants to bring it clear across Canada to serve the industrial areas of Ontario and eastern Quebec.

This vision of an all-Canadian gas line, running approximately along the same route as the Canadian Pacific Railway, has revived very many of the same feelings as the building of that railway did seventy years ago. Its supporters have been saying that it might mean almost as much to Canada, providing clean, cheap and economical fuel right across the country from a Canadian source which is still expanding instead of using a United States source which is already beginning to dwindle. The Federal Government has proclaimed its acceptance of this view. “Gas from Alberta,” Mr Howe, the Minister of Trade and Commerce, has declared, “must be available to potential users in the provinces of Ontario and Quebec, and in the intervening provinces, before further export of gas (to the United States) could be authorised.”

If the Government is to maintain this policy it will have to face two rather delicate consequences. The first is to stop the deal for importing American gas for Toronto. The all-Canadian line clearly cannot be economic if the richest plums in the eastern Canadian market are to fall into the American lap. It may also have to deny Alberta the Minnesota outlet which appears to offer the quickest returns.

It looks at the moment as though the provincial Social Credit government and the Federal Liberal government may be in for a tussle about where Alberta gas shall go. And in the background, though hardly in the shadows, stand the rival promoters with a stake of hundreds of millions of dollars. Ottawa is also very conscious of American feelings on the whole subject. It is not altogether easy for Canada, which is always talking about more liberal trade, to adopt what seems to be a strictly nationalist attitude on the use of its own energy resources. But it is



felt here that a gas pipeline is not a trade in commodities. It is a source of energy, more nearly parallel to an electric power supply. It is virtually irrevocable. Industries and city-wide power supplies are built on it. Prevailing sentiment here is strongly in favour of keeping it in Canada.

Trieste Through Italian Eyes

FROM OUR ROME CORRESPONDENT

THE man on the spot in Italy cannot see the whole of the Trieste picture, but the pro-Tito bias of large sections of the London press and the obvious contrast between their comments and the facts observable in Italy leaves foreigners here taken aback and moderate Italians spluttering with fury. The Trieste issue may have been influenced by the chauvinist fight in Italy, but Italians of all parties find it difficult to understand why there should be such difficulties about returning a city with a predominantly Italian population and why the Italians of Zone B should be exposed to a stream of vexations in direct defiance of the terms and intentions of the Peace Treaty.

Much has been written in the English press about Italian imperialism. But Yugoslav papers and official statements are full of provocative bluster of which the less offensive examples claim that the natural frontier between the two countries is the Isonzo (in purely Italian territory). The worst that can be said of the Italians is that they have laid claim to the whole of the Free Territory, which contains a Slovene minority. But they have some excuse for their attitude. Apart from the predominance of their countrymen in the Territory as a whole, they can point to the famous Tripartite Declaration of March, 1948, which promised to ensure the return to Italy of both Zones.

What official Italian circles have always insisted on is that any discussions for a definitive solution should take place on an equal footing. This means in effect that Italy should go to the conference table after having occupied Zone A, as a counterweight to Yugoslavia’s possession of Zone B. It also refuses to renounce beforehand any claims to Zone B, since the aim of the negotiations would be to secure the return of the coastal cities (inhabited mainly by Italians) in the Yugoslav Zone, by using as bargaining counters the grant of port facilities in Trieste itself or rectifications of the Zone A frontier in Marshal Tito’s favour. It was in reaction to the report that Yugoslavia was proposing formally to annex Zone B, and thus put an end to any such Italian hopes, that Signor Pella ordered his troops to the frontier.

The step was misguided, but showed the strength of Italian feeling. Thereafter, by adopting Saragat’s idea of the plebiscite, he succeeded for the first time since 1945 in scoring a distinct tactical success over Tito. The Yugoslavs’ argument that the plebiscite could not be accepted because Mussolini had driven out the Slovene minority was met by an offer to allow anyone born in the Free Territory area before November 4, 1918, to vote.

Signor Pella’s new tactics bore fruit in the Allied offer to hand over Zone A to Italy. No strings, but equally no time

limit were attached to the transfer. But such was the Italian fear that acceptance of the offer would lead to the definite partition of the Free Territory that only Signor Pella's personal appeal induced Parliament to approve the proposal. And representatives of all parties qualified their approval by defining the transfer as a payment on account, with something (most hoped for the whole) still to come from Zone B. The Left went further and denounced the scheme lock stock and barrel as equivalent to partition. There was bitterness in Trieste itself. The people of the border area have always been strongly opposed to any move which might prejudice the position of their countrymen across the demarcation line. In spite of these difficulties, Pella won the day and he might well have worked out a reasonable solution which Italian public opinion was prepared to accept had it not been for the Yugoslav threat to invade Zone A if a single Italian soldier set foot in it. Instead of firmly ignoring the blackmail, the Allies hedged and suggested a conference at which the Italians would have been armed merely with a promise that, by a certain date, the civil (but not military) powers would be handed over to them. Pella, not unreasonably and (as always) in very moderate terms, insisted on the prior execution of the Allies' undertaking; his demands were refused.

The effect on Italian public opinion has been disastrous. The Tripartite Declaration was never implemented. Now, says the man in the street, it will be just the same again with the latest offer. The Allied troops will stay and, apart from minor concessions, everything will remain as before, unless, of course, Tito decides to annex Zone B.

The practical effect of the blow is to make the ratification of the European Defence Community Treaty by Italy most unlikely and to discourage those who have put their money, in a country where extremism is endemic, on a moderate and rational policy of "Atlanticism." The Left, which will in any case vote against the EDC, stand to gain from a weakening of the centre. But the rift between them and the rest of Parliament over Trieste is now so sharp that no further attempt by Saragat to smuggle Nenni into the government is likely. The short term danger comes from the Right. A new government is almost certain to be led by Signor Pella, whose stock has been rising steadily. But his position now rests on right wing support and the trend is away from internationalism and towards chauvinism.

Economic Setback for Indonesia

FROM OUR CORRESPONDENT IN INDONESIA

LAST month, the Communist-controlled trades unions (Sarbupri) on the Indonesian estates staged crippling strikes in defiance of the government. Their demands, if granted, would be ruinous, especially as they were made within a few weeks of a wage increase which was already causing grave concern to exporters. In the event, the strike leaders called off the strikes after receiving a promise from the Minister of Labour that the arbitration board would reconsider the strikers' wage claims. Behind these demands and the strikes for which they are the overt reason, there is a political motive. The Communists want to whip up feeling against the presence of foreign capital in Indonesia. They also want to revive the "fighting spirit" of the unions which have tended of late to creep away from Communist tutelage. Their recent qualified success should help them

to re-assert and extend their dominance over the unions.

The factious and irresponsible behaviour of these unions encourages the low productivity of the Indonesian workers which, in its turn, is largely responsible for the difficulty which Indonesia is now experiencing in competing in the world markets. During 1953 there has been a rubber conference in Copenhagen, a tin conference in Brussels and a sugar conference in London. All these conferences have ended in disappointment for the Indonesians. They have been unable to maintain their prices or re-establish pre-war quotas and markets.

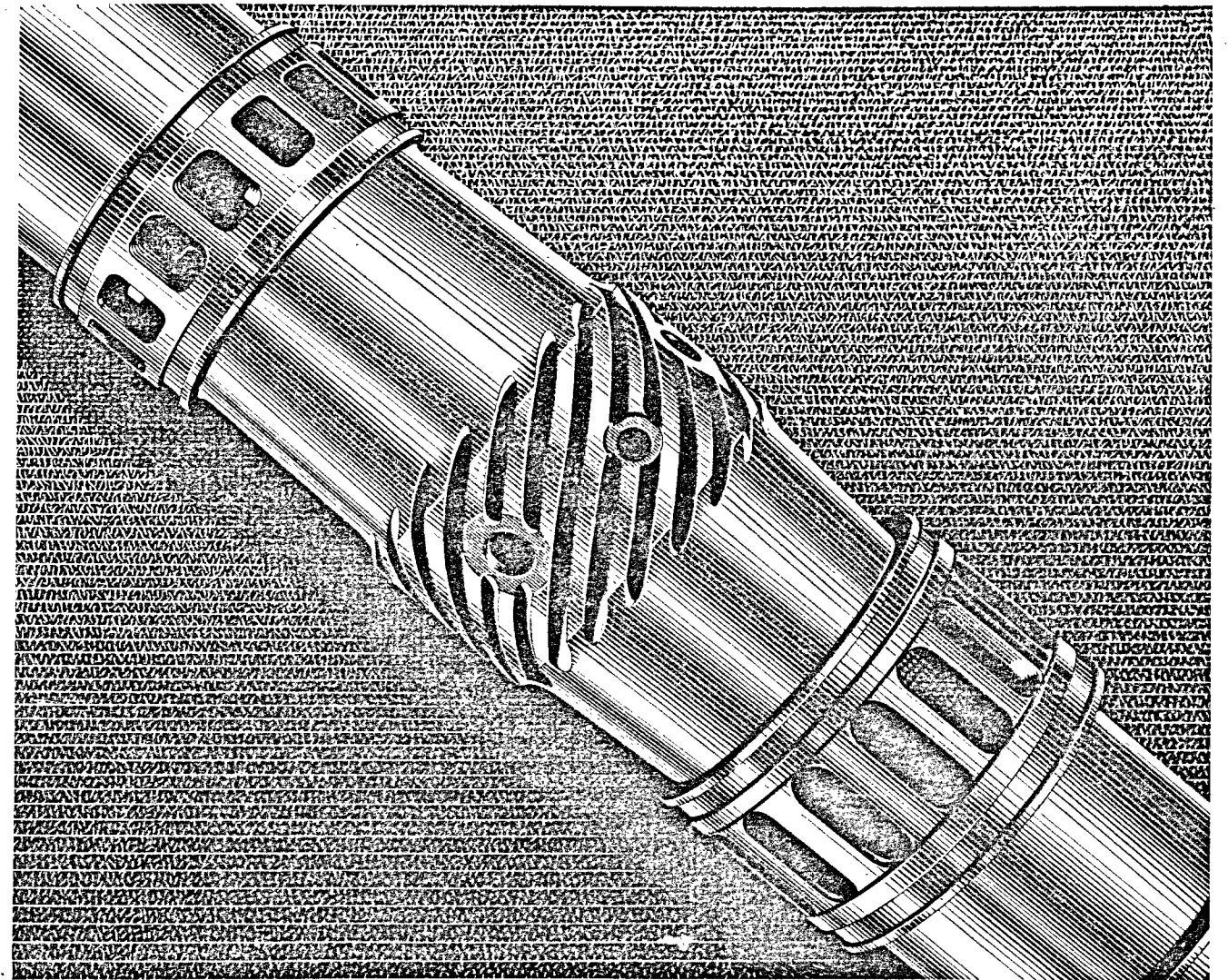
Rubber and tin enjoyed boom trading conditions during the early stages of the Korean war and while America was stock-piling strategic materials. So great was the rubber boom that enterprises in South Sumatra found it advantageous to compromise with the gangs of employee-thieves looting the estates by allowing them to tap for their own benefit for part of each working day. Wage rates were astronomic and every labourer seemed to sport a new watch and, however illiterate, the latest expensive fountain-pen set. The government was not sufficiently organised to reap the full benefit of the boom. Even so, a large amount of foreign exchange poured into its coffers. Unfortunately, the cabinet of the day seems to have assumed that the boom would continue for ever and committed itself to a vast programme of future expenditure.

The prospects for rubber since the Copenhagen conference are not encouraging. Stockpiling has long been slowing down and the end of the Korean war will certainly not reverse the process. It is thought that the American price of synthetic rubber is to be increased and that this may cause some recovery in the natural product; but no one is confident enough to forecast a period of even comparative prosperity.

In London, during the international sugar conference the Indonesian delegates drew the attention of the members to the urgent need for increased sugar exports to counteract the severe losses in foreign exchange earnings due to the fall in rubber and tin prices. But they were unable to obtain agreement on an export figure in any way approaching the quota they demanded. The other delegates seemed doubtful about Indonesia's ability to produce even the comparatively small allotted quota. The Indonesian delegates were rather indignant at the doubts cast upon their production figures, but recent events scarcely encourage observers to feel confident in the country's ability to use its valuable resources to the best advantage.

Indonesians, however, including those who realise their own shortcomings, feel that they are not getting a square deal. They cannot understand why, as it appears to them, America should insist on holding down the price of the goods they have to sell while at the same time allocating them funds and technical assistance; this looks to Indonesian eyes like "aid not trade."

It is plain that increased productivity on the estates and a government in which the outside world has confidence are basic essentials for Indonesia's recovery. The prospects of fulfilling either of these conditions in the near future are very small; in the long run and under firm and responsible government there is hope, but only if the first positive steps are not too long delayed. At the same time the policy of the western powers needs careful overhaul to make sure that it is not earning resentment over what it takes away with one hand, and gaining little thanks for what it gives, with the other.



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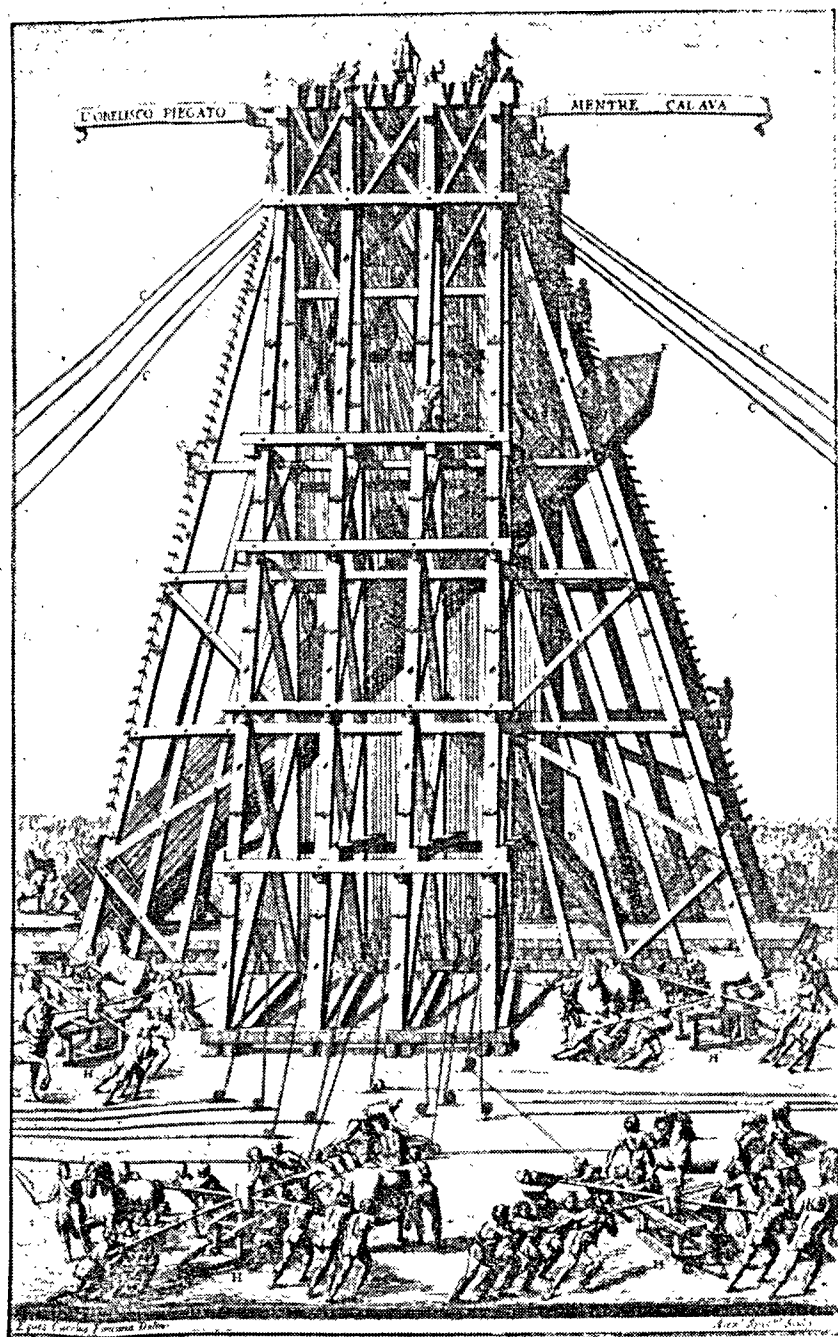
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THE BUSINESS WORLD

South Africa and Sterling

BY abolishing from January 1, 1954, its discriminatory controls on imports from the dollar area—while at the same time issuing the warning that its total import licensing next year may be more stringent—the South African government has taken a step that liberals presumably ought to, and that the Americans certainly will, applaud as a model for other countries in difficulties in their balance of payments. For this is a decision that is strictly in line with the rules of GATT and other international codes of commercial conduct: namely, that when a country has to keep down its imports by licensing restrictions, it should do so against imports from all countries indiscriminately. It is easy to understand why South Africa has taken this step. It will be generally welcomed in the Union, where importers will now be able to satisfy their requirements in the cheapest market—and, perhaps more important, in those that offer the earliest delivery. It will also be welcomed in America; and South Africa is very eager for a welcome from America at the moment, for its hopes of an increase in the dollar price of gold are not yet dead, however deeply they may be sleeping. But should it also be welcomed in Britain, which has recently been receiving about £70 million of gold a year from South Africa in return for allowing a free flow of capital to it?

Ever since the agreement of January, 1948, South Africa has occupied a unique position within the sterling area. Unlike most of the other members of the sterling group, the Union undertakes the responsibility of settling its own hard currency debts. This arrangement became necessary because during 1947 South Africa was actually a net drawer on the central gold and dollar pool, to the tune of £19 million, despite the fact that it produced £100 million (now £150 million) of gold a year. But once the agreement of 1948 was signed, the Union became in effect an important hard-

currency market for British exports. And, by a succession of special arrangements between the two countries, Britain was enabled to earn substantial amounts of South African gold. From the end of 1949 to the end of 1951 more than £120 million of gold was earned in this way.

Under the existing arrangements the South African government undertakes to ship to Britain a minimum of four million ounces of fine gold annually (worth approximately £50 million); and it has promised that this undertaking will remain in force in future. But actual sales in the past two years seem to have been £15 or £20 million higher than this minimum. This has resulted from the odd arrangements whereby South Africa has offered Britain a *quid pro quo* for allowing it to finance essential imports from soft currency countries by sterling payments through London (the imports that can be so financed include not only imports from Britain, but also those from other sterling dominions and from "transferable account" countries such as those in the European Payments Union). The formula laid down has been that when these sterling disbursements on South African account have not been covered by South Africa's current sterling earnings, plus the annual £50 million gold transfer to London—and they generally have failed to be so covered—then South Africa will make up the balance with another shipment of gold.

It should be emphasised that since the beginning of 1951 South Africa has not discriminated between currency areas in its imports of these essential goods; these imports are therefore not affected by the liberal part of the new dispensation, although they may be affected by the illiberal part of it—since total licences for goods that have hitherto been in this category may be cut back. For example, Mr Louw, the Minister of

Economic Affairs, announced this week that in 1954 preliminary quotas for imports of agricultural and industrial machinery (of less than £1000 unit value) will be only 50 per cent of total quotas granted for 1953, and that for "raw materials, consumable stores and maintenance spares for industries generally, letters of authority for 1954 are being prepared on the basis of 55 per cent of the total allocations made to importers for the whole of 1953." Fortunately this probably does not mean what at first sight it appears to mean—namely, that South Africa's imports of essential goods in 1954 will be virtually cut in half; alarm and despondency always are spread among foreign exporters to the Union at this time of the year, because the South African government likes to announce low initial quotas and then to increase them later. But Mr Louw warned traders this week that "in view of the generally difficult position expected for 1954 it may not be possible to grant a very substantial second round," although he went on to say that policy will be adjusted "to ensure that there will be no serious scarcities of the more necessary goods next year."

★

Side by side with this system of non-discrimination in essential imports, however, South Africa has hitherto practised severe discrimination in its inessential imports; and it is in this field that Britain and other soft currency countries are now to lose their sheltered markets. For example, permits for imports from Britain of textile piece goods below a certain ceiling price have for some time been freely granted against proof of firm orders; from January 1st next this permission will be extended to imports of piece goods from dollar countries as well. Now the rule of non-discrimination will stretch over the whole field, although—once again—total permitted imports may be cut. Preliminary quotas for imports of all consumer goods in 1954 will be at only 25 per cent of the inflated 1948 level (compared with 30 per cent this year); and some items such as crockery, women's garments, soapless detergent powders and certain classes of "pulp literature" will be added to the rigidly restricted list.

Hitherto South Africa's discriminatory imports of all inessential goods have been paid for in sterling; and attempts have been made to equate its spending on these discriminatory imports with the flow of sterling capital into the country. But it has always been doubtful whether this strange formula—of paying for inessential imports with the proceeds of the sterling capital inflow plus any running down of sterling balances that the Union feels able to allow, whilst paying for imports of essential goods with sterling from soft currency earnings plus a gold payment—has really had very much meaning. Those who have found the formula so complicated that they have been unable to understand it may draw comfort from the fact that the authorities themselves have found it so complicated that they have been unable

to make it work. The new arrangements, by abolishing the distinction between essential and inessential imports (and throwing them together into a non-discriminatory free-for-all) has the great advantage of greater simplicity. There will now be free competition between dollar and non-dollar suppliers in meeting all the import requirements that South Africa allows to be satisfied. The Union's dollar imports will still have to be paid for from dollar earnings or from newly mined gold. Unless there has been some gentleman's agreement behind the scenes about the sterling capital inflow and the sterling balances, it is to be presumed that all its non-dollar imports will now be paid for, in the first instance, in sterling; but to the extent that these sterling payments exceed South Africa's sterling earnings and the inflow of sterling capital (plus any running down of existing sterling holdings that the Union allows) the balance will be settled by a gold transfer to London. This gold transfer will not, in any circumstances, be less than £50 million a year; and if Britain and other soft currency suppliers gain a fair share of this non-discriminatory market, it should be bigger than that.

The effect on Britain of the new arrangements will therefore depend on two factors: on the one hand, the size of South Africa's sterling holding and the extent to which South Africa allows it to be run down; on the other hand, the competitive power of British and other soft-currency exports in this now entirely non-discriminatory market. At the moment, South Africa's sterling holdings are not large. During the past nine months, they have fallen from just under £60 million to just over £25 million; concurrently, the Union's total gold and foreign exchange holdings have fallen from £129 million to £94 million. The total capital inflow in the first six months of this year was only £14 million, compared with the peak inflow of £182 million—most of it in sterling—in 1947, before Dr Malan became Prime Minister. Thus, unless (for some at present unforeseeable reason) capital should again begin to move out to the Union on a heavy scale, South Africa will almost certainly have to meet the greater part of its non-dollar deficit by a transfer to London of some of its newly mined gold.

But is that non-dollar deficit likely to continue to run at over £50 million a year, now that discrimination in import policy is to cease? Mr Havenga suggested this week that it would, because British goods are now fully competitive with dollar goods. This suggestion must be treated with reserve. It was only a few months ago that South African government spokesmen were solemnly warning British exporters of the need to reduce prices and to advance their delivery dates if they wanted to keep their foothold in this market, and it is an historical fact that the South African consumer has always shown a strong preference for American goods whenever he has been allowed to do so. But in the first eight months of this year British exports to the Union—admittedly thanks partly to the discriminatory import licensing system—were £10 million higher (at £110 million) than in the first eight months of last year. The

fact that this market will no longer be sheltered should be regarded as a challenge, but in no sense a challenge that Britain should find it impossible to meet.

Although the immediate outlook for some of South Africa's staple commodity exports does not look bright, and although the excessive prices now being paid for farm land there may be helping to build up a top-heavy agricultural economy, the Union should become an increasingly important market in the future—if its internal political conditions allow. Once uranium production and the new gold mines in the Orange Free State are running at full blast, it should enjoy a substantial increase in its hard currency earnings; and the country is a hive of hidden reserves of precisely those raw materials for which the Paley Commission forecast a large long-term expansion in American demand. This, in short, is a goose that should be able to lay more and more golden eggs as the years go by, and it is only by superior competitive power that British exporters can

Economics of the Super-Grid

WHEN power began to flow along the first forty miles of the new super-grid at 275,000 volts a few months ago, leaders of the British Electricity Authority showed that they were aware of criticism of their new transmission scheme, which will cost £52 million and take seven years to complete. That criticism has been aired most publicly, and most significantly by an American productivity team that looked at the British electricity system in 1951 and published a report on it in April of this year. Among the recommendations made by the Americans was a suggestion that the "275-kV investment" might be postponed for a year or more, by making greater use of the existing 132,000 volt grid. This expert criticism has been answered, to the British Electricity Authority's satisfaction at least; but its answer has perhaps not stilled all the questioning in the electricity industry.

The existing power transmission grid in Great Britain, covering 4,000 route miles, operates at 132,000 volts; and the highest voltage used commercially anywhere in the world is that of 380,000 volts employed to bring Swedish water-generated energy to the industrial south. The decisions to instal a super-grid, and to fix its voltage at 275,000 volts, were taken after BEA had made an elaborate study of the transmission demands likely to be made upon the system in future years, and the economics of different ways of meeting them. Basically, the earlier grid scheme was not intended to do more than balance the loads between efficient and inefficient power stations within the seven independent areas into which it was divided. Transfers of power from one area to another were almost incidental, since the planning of power supplies at that time had not progressed far beyond the

gain the contract to feed it. There are some features of the new arrangements about which Britain may not be too happy. One is that there is presumably more danger now that an increase in any capital inflow from this country into the Union may lead to an increase in the proportion of British exports for which South Africa will pay in sterling rather than gold; another is that, more by accident than design, Britain is now settling part of South Africa's EPU debts in hard currency and receiving payment for them from South Africa partly in sterling. But if these shoes pinch, there should still be room for some co-operative shuffling of the shoehorn. The rationale of the new arrangements is that the shuffling should take the form of an agreement that the Union will in no circumstances cut down its gold payments to London if the flow of sterling capital should increase; such an understanding would be infinitely preferable to any return to discrimination against American goods.

idea of a power station in each town, supplying the load in the surrounding countryside.

As the load grew, it became evident that a choice would have to be made between the transport of energy from the coalfields to the user's neighbourhood, either by physical movement of coal in railway trucks, or by converting coal into electrical energy near the pithead and transporting the power. This choice had to be made because the existing grid was being increasingly used as a means of bulk energy transmission, mainly from the North and Midlands to the South, instead of fulfilling its original function of internal balance within a single area with no more than marginal imports and exports between areas.

The first problem was to estimate future loads on the system in different parts of the country. On this the Authority's engineers were realistic. They produced carefully worked out estimates of production and demand in different areas for the next fifteen years, but they bore in mind that if the errors in the load forecasts were only of the order of 10 per cent, and if these errors were taken in conjunction with an even chance whether or not power station sites in the coal producing areas could be obtained where they were strategically needed, then the result of this "double" would be to show the need either for a 4,000,000 kW load transfer between areas in 20 years' time—or for none at all!

These figures alone might be regarded as shaky foundations on which to build 1,100 miles of steel towers, reaching 130 feet high. But the overriding need to conserve coal required the building of power stations of high efficiency. This in turn implied large size, which meant large-scale coal transportation. Thus it was necessary to compare the cost of energy move-

ment by rail (or sea) with the cost incurred in electrical transmission. The latest available figures for this comparison, given in a paper last year by Mr Sayers and Mr Cash of the British Electricity Authority, relate to 1949 price levels. The average transport cost for coal delivered to the power stations in the Scottish, Northern, Mid-East and Central Areas was 76½d. per ton: for the area round London it was over 180d. per ton, and this latter figure included a considerable proportion of coal transported by the cheapest method, the coastal shipping route from Scotland, where the cost was 130d. per ton. The comparable costs of electrical transmission showed that it could not compete with the sea transport of coal if there were very short rail hauls at the pithead end, and direct delivery into dockside power stations at the receiving end. But such conditions are not very common. Strategic as well as technical considerations are involved in any plan to put a number of large stations on the coastline (another suggestion of the American team, to save expense on cooling towers); and in any case, neither the pits nor the loads—the industrial areas—are predominantly near the sea.

For distances between 25 and 45 miles (according to the voltage used), the BEA experts held that the cost of electrical transmission of energy shows an advantage that grows as the distance increases. At 140 miles, the cost of transmitting the energy equivalent to the output of a 360,000 kW power station was £950,000 per annum (at 1949 price levels), by hauling the coal; £680,000 per annum by using the 132,000 volt grid lines; and £650,000 per annum using the new 275,000 volt system. The margin between rail transport of coal and any sort of electrical system is thus obvious; the margin between an extension of the existing system and the inception of a new one is not, on these figures alone, great enough to be significant. Further justification is required for the choice of a higher voltage system that brings with it great expenditure of an indirect nature, such as the erection of experimental lines, research over a number of years, and extensive development programmes in the works of the manufacturers of the plant necessary. But the only feasible alternative to a new, higher-voltage system, would have been to extend the present 132,000 volt grid by the addition of more inter-area links, and by increasing the capacity of those links that already exist. To improve the transmission capacity of a given line, the power-factor, or the proportion of wattage that is fully useful, could be improved. The American team thought this might have been done on the existing 132,000 volt grid.

If the load varies widely during the day or during the seasons, it will make smaller use, on the average, of the generating capacity installed to cater for it than would a load more evenly spread. To correct this under-use of power station capacity—that is, to improve the power factor—usually involves the employment of new equipment at the consumer's installation, and the consumer usually has to pay for it—for which he gets a relief in the tariff he pays. He is

not obliged to do so; indeed, in the vast number of factories where comparatively little electricity is used, he has little interest in doing so. The Americans' point was that more useful load carrying could be got out of the existing distribution grid.

The Authority's official answer to the American suggestion that the unused capacity of transmission lines might be brought into useful service was that "It is by no means conclusive that power-factor correction offers all the advantages claimed." But their statement, made early this summer, went on to say that while conditions in the United States generally differ from those in this country, there were particular instances here where corrective equipment would be economically justified. Consumers do not, of course, deliberately choose apparatus that will cause a low power factor, any more than road users deliberately choose, for example, tyres that may cause greater wear on road surfaces. But there is no argument about the general responsibility of the highway authorities to maintain the roads and to repair the surfaces and to spread the cost over all the users equally. Further paragraphs in the Authority's answer to the American criticism contain clear implications that they expect the expense of this power factor correction to be undertaken, if at all, mainly by the consumer himself. But only the large users work on tariffs with power factor clauses; and the grocer, installing a much-advertised fluorescent lighting fitting, cannot be expected to know, or care, that its power factor is likely to be less favourable than that of the filament lamp it replaces.

Even if power factor correction and other technical improvements resulted in better utilisation of the present 132,000 volt system, new loads in areas where there are no power stations will create a need for more transmission capacity. Could this need be met by extending the present grid? Technically, it was found to be just possible, and a phrase from one of the papers read last year is significant: "Investigation showed that the cost of a 275 kV grid system meeting the minimum requirements would be no more, and *probably* (our italics) less than that of an equivalent 132 kV superimposed system." With no overwhelming bias towards the higher voltage grid from the point of view of first-cost, other factors remained to be considered. The practical problems of bringing a considerable number of additional pylon lines into large cities, and across heavily industrialised areas, weighted heavily in the balance in favour of a few lines of much greater power transfer capacity. The electrical operation of more lines is more difficult than that of a few lines of higher capacity. Very large future power stations, including those where nuclear energy may be transformed into electrical energy, could more easily be coupled into a high-power network. British manufacturers of high-voltage plant would have an opportunity to demonstrate to potential customers abroad what they could do in this field. The actual choice of voltage was almost an obvious one: a small increase, from 132 kV to say 164 kV, would not have justified the

enormous expense. The next internationally agreed standard level was 275/300 kV, and this was chosen in preference to the possible 380/400 kV level owing to the problems likely to be encountered in operating high voltage outdoor plant in the British climate, particularly in areas where atmospheric pollution is prevalent.

Some electrical engineers—even within BEA—would argue that one entirely different aspect of Britain's future power problems was insufficiently explored in connection with the supergrid: district heating. Engineers have not yet solved the basic problems of using coal for power generation for the thermal efficiency of coal-fired stations cannot exceed about 40 per cent even in the most favourable circumstances. Indeed the supergrid assumes an average thermal efficiency of no more than 27 per cent during the next 15 years.

In face of the wastage each year of millions of tons of coal, some modification of the supergrid proposals to utilise a certain amount of district heating has been advocated. Part of the new power station programme might have been devoted to combined power and district heating stations, and their lowered efficiency (for they would use smaller generating sets) would be offset by the coal saved by the distribution of heat. Such a programme would involve the transport of coal instead of electrical energy, since a district heating station must burn the coal within a few miles of the point where the heat is used. It would have meant the establishment of a number of large district heating stations near the centres where industrial heat is needed, and where large residential areas are being expanded,

all the new houses being equipped with hot water pipes from the mains. This would change the whole picture of the transmission of energy in Great Britain; short, heavy capacity "balancing" feeders between large stations, instead of the long-distance bulk transmission lines in the new supergrid, might have been the result.

There are strong arguments against such projects, chief among them the capital cost required for district heating and its dubious economics in many circumstances. But the supergrid itself is to cost £52 million, a large figure by any other standards than the British Electricity Authority's. Any project that might save a significant proportion of 30 million tons of coal a year has obvious attractions; coal prices are likely to rise rather than to fall in the next decade. But in the end the economic validity of the supergrid is independent of the debated virtues of alternative systems incorporating district heating; it rests instead on the question whether the supergrid will be a cheaper means of power transmission than the extension of the existing grid. The load transfer estimates on which the supergrid is based seem a little shaky, and not even of such a fairly reliable order as the prediction of the increase in the total demand for electricity. The supergrid will work, and it will enhance the benefits arising from any grid scheme. But it was not inescapably forced on the Authority by any promise that it would offer a greatly reduced capital cost compared with the cost of extending the old grid and using it more effectively. The economics of this vast and imaginative new investment are still in doubt.

Business Notes

Cheaper Local Loans

A MODEST concession has been made this week in rates charged by the Public Works Loan Board for new loans to local authorities. As from last Tuesday, loans for periods of less than six years cost 2½ per cent instead of 2¾ per cent, loans for six to fifteen years cost 3½ per cent instead of 3¾ per cent, and those for more than fifteen years cost 4 per cent instead of 4¼ per cent. The City has jumped to the conclusion that these changes flow from the recent reduction in Bank rate, and some people are even regarding them as yet another indication that the authorities are now deliberately pursuing a policy of cheaper money. Both these assumptions, plausible though they may seem at first sight, collapse upon detailed scrutiny.

The PWLB affords long-term finance, so that the rates it charges, if aligned with market rates (as they are always supposed to be), are adjusted to those in the gilt-edged market, and not to the structure of short-term money rates now dominated by Bank rate. That this is no hair-splitting distinction can be clearly seen by a glance at Mr Butler's two previous changes in PWLB charges. His increase of ¼ per cent (to 3¼ per cent) in the longest PWLB rate in November, 1951, though announced simultaneously with the first increase in Bank rate, was made to take account of the big rise that had occurred in gilt-edged yields in the preceding two and a half years (during which time Labour Chancellors had broken the rule that PWLB rates should broadly conform to the market). And his second increase in PWLB rates, though it reflected the further sharp fall caused in the gilt-edged market by the "new" monetary policy, was not associated with any change in Bank rate.

The PWLB rates established then, and retained until this week, became effective on February 9, 1952—when Bank rate still stood at 2½ per cent, and four weeks before it rose to 4 per cent.

Relationship to Rents

THE latest changes were, indeed, overdue before the recent Bank rate change induced a further rise in gilt-edged. The transformation that had occurred in the gilt-edged scene in the preceding fifteen months had left PWLB rates appreciably above the corresponding market yields, especially for the longest loans. Since mid-September these disparities had, of course, widened further, but only marginally. Had they been allowed to remain much longer, Mr Butler might have found it hard to claim that he was still fulfilling the pledge not to use the PWLB rate as an instrument to drive the local authorities to use their new freedom to borrow alternatively in the market; and he might also have been accused of penalising those smaller authorities for which market operations are impracticable—though any such argument would have merited the retort that the less credit-worthy bodies cannot expect to command the same rates as the strongest ones. This consideration has perhaps been in mind in the framing of the new rates, for the changes made are conservative. In the five year and the six to fifteen year categories the new rates are, it is true, a shade below the nearest comparable market yields (for the longest stocks within each bracket), but the margin now is smaller than it was at the time of the last change. For loans over fifteen years, however, the PWLB charge of 4 per cent is still between an ⅛ and ¼ per cent above the redemption yield on long-dated stocks (taking Transport, 1978-88, and Gas, 1990-95, as the basis of comparison), whereas in February, 1952, the 4½ per cent rate was almost exactly at parity with the long-term market. The new differential is a very proper one; for even the strongest of municipal borrowers could not command in the market the same terms as the British Government. Moreover, the fact that the rates have not been brought precisely down to market level has to be set beside the Treasury practice of not following the market yield upwards until the new basis has been long established; no revision was made when the market slumped violently in the early summer of 1952.

In short, this modest cheapening of Government finance for local authorities, which might seem at first glance to be an odd prelude to the promise of some revision of the rent restriction acts, is not really out of harmony with the hope that a little realism may soon be introduced into the pattern of rents. In any case, it remains to be seen how housing finance will be affected by the interest rate concessions. The 1952 review of the housing subsidy specifically took into account the addition caused to new housing costs by the two increases in PWLB charges; and the 1954 review ought logically to take equal account of the small saving that new housing will now enjoy.

United Steel Terms

THE prospectus for the resale to the public of United Steel shares will be advertised on Monday, the lists for the issue are likely to open next Thursday (October

29th) and remain open until Monday, November 9th. A preliminary announcement from the Realisation Agency confirms that the terms will be very close to those adumbrated in *The Economist* last week. The 10,194,000 £1 ordinary shares now held by the Agency will be supplemented by 3,806,000 new shares created by a capitalisation from reserves, and the whole 14 million £1 ordinary shares will be offered at 25s. each. The directors expect to be able to pay a dividend equivalent to 9 per cent on this £14,000,000 capital for the 53 weeks to October 3rd last, which would offer a yield of 7.2 per cent on the issued price. The prospectus on Monday will detail the arrangements whereby priority will be given to applications from former shareholders and the list of gilt-edged stocks that can be tendered for the issue in the same way as cash.

The directors suggest that "maintainable profits" should be of around £6 million a year. Dividends on the £9 million odd of preference shares held by the Agency will absorb just over £250,000 and interest on the £10 million of a new debenture stock (which is to be issued to the Agency to cover an existing loan to the company and to finance the concluding stages of the company's massive development programme) will absorb £475,000; after allowing for a total tax bill of around £2,970,000, which would be payable on the estimated maintainable profit and on the proposed dividends, this would leave net retainable earnings of just under 30 per cent to cover the 9 per cent dividend. Clearly, a dividend that is as well covered as this and a yield that is some 1.6 per cent above the average yield on the blue chips in the *Financial Times* ordinary share index should ensure hearty support for the issue from institutional investors; and, although the diffuse Labour growlings about the terms of any future renationalisation—which seem to amount to a threat that they might buy back the shares compulsorily at the issue price less the excess of dividend payments over interest that would have been paid on a Government stock—may impose a damper on future capital appreciation, even some private investors may regard this as an opportunity that should not be missed. Until the terms of future offers for sale of the preference and debenture stock are known (and until the arrangements for handling United Steel's former holding in John Summers are clarified), the "political arithmetic" of the issue must remain uncertain; but—on present indications and thanks partly to the Bank rate reduction—Conservative propagandists who will want to prove that the state has made a profit on this resale over the original purchase price should have a fairly easy task, and Labour propagandists who will want to prove that the state is making a loss on the operation will have to do some very strange arithmetic indeed. But, no doubt, they are already working furiously over their slide rules in duty bound to try.

Mutual Aid against the Grain?

THE American Government's plans for disposing of some of its surplus farm products by selling them abroad through the Foreign Operations Administration for sterling and other non-dollar currencies are now in an advanced stage. The Foreign Operations Administration (the new

name for the Mutual Security Administration) was empowered last November to use up to \$250 million of aid funds to finance the sale of surplus commodities for local currency to friendly countries. It is now reported that the Administration is ready to sell \$175 million of surplus commodities under this programme, of which \$130 million are destined for Europe. This would still only scrape the surface of America's problem—total farm surpluses are now estimated at \$2,600 million—but the FOA's negotiations with individual countries have been sufficient to arouse rather touchy comments on this side of the Atlantic that a scheme that might lead to the loss of certain dollar receipts by Europe, in order to assuage Mr Eisenhower's agricultural headache, is a new and dangerous definition of mutual aid.

There are two major difficulties. On the one hand the Americans naturally want to be sure that sales of goods under the scheme are genuine additional sales that help to reduce their piled-up surpluses—that they do not simply replace regular transactions for dollars. They are also being told by European and other agriculturalists—with growls about dumping on a saturated market and possible international retaliation—that their sales should not be at the expense of other countries' regular exports. The scheme must, therefore, be confined to those surplus American commodities that do not form part of a general world surplus. The FOA itself has laid great stress on its intention to avoid any diversion from normal channels of trade and to confine sales to goods for which there is clearly scope for increased European or Asian consumption. This must impede sales under the scheme of the great surplus commodities such as grain and (to a less extent) cotton; large sales of tobacco under the scheme might also tend to be at the expense of regular American exports, and increasing emphasis may have to be laid on beef, dairy products, fats and fruit.

★

The possible pitfalls of the scheme for receiving countries are equally serious—and they may indeed make agreement on its operation impossible. The great danger is of course that the FOA's acquisition of sterling or other European currencies may, in effect, lead to a decrease in Europe's net dollar receipts—so that the surplus commodities will turn out to have been paid for in dollars after all. Most of the American suggestions for ways in which the FOA might use its sterling are open to this criticism. Funds used to finance British manufacture of equipment for other Nato countries, for example, would presumably tend to replace the off-shore contracts that would otherwise have been placed in dollars; and the same would be true of funds set aside to meet expenses incidental to the presence of American military personnel in this country. It is easy to see what the extreme American reaction to this sort of grumbling could be: stop paying for these parts of Europeans' defence programmes, and tell them they can have surplus grain as a free gift or not as they please. And it is equally easy to see what the extreme European political reaction, and intimations about what they might do with their grain, could be too. The task of diplomacy now is to devise some formula whereby the FOA's accumulation of local currencies would be used to finance operations wholly additional to its present commitments, or rather to whatever its much reduced future commitments are likely to be.

Third Quarter's Trade

THE final returns of Britain's overseas trade in September estimate exports at £202.2 million (f.o.b.), imports at £269.4 million (c.i.f.) and re-exports at £8 million. The gross visible trade deficit for the month is therefore recalculated at £59.2 million, or about £800,000 less than was suggested by the preliminary returns which were discussed in *The Economist* last week. The details now available show that the fall of nearly 3 per cent in the monthly value of exports in the first nine months of the year was wholly due to a decline in prices; the volume of exports was, if anything, very slightly higher than a year ago. The fall in prices also more than accounted for the fall of nearly 7 per cent in the value of imports in the first nine months of the year; the volume of imports was between 5 and 6 per cent higher in this period—although there was some check to this rise in the third quarter itself (when the volume of imports was nearly 3 per cent below the monthly average in the previous six months). This downturn in the third quarter was caused by a fall of some 14 per cent in imports from the sterling area, mainly owing to a seasonal decline in imports of raw wool and other products. Imports from the non-sterling area actually rose by some 7 per cent in this period, thanks partly to a seasonal rise in arrivals of grain, flour and tobacco.

Exports to the sterling area rose by nearly 3 per cent between the second and third quarters of the year, and were higher than in any other quarter in the last eighteen months. Thanks to the easing of import restrictions, shipments to Australia were more than £3 million a month, or about 20 per cent, larger than in the second quarter. Exports to the non-sterling area fell slightly in the third quarter, although they were still 2 per cent above the average of the first quarter. It may be premature to link the slight decline in non-sterling exports to the increased pulling power of the Australian market; but this is clearly a danger to be watched. Exports of textiles, particularly woollen goods, were £3 million a month higher in the third quarter than in the second, and miscellaneous manufacturers were £2.5 million higher (with shipments of refined petroleum setting a new record). These gains were almost entirely offset by a fall of £5 million a month in shipments of engineering products, notably of machinery and motor cars. The net result of these changes on the pattern of trade was that the trade deficit with the non-sterling world rose to a monthly average of £36.5 million in the first nine months of the year from £33 million in the first six, but was still well below the average of £50.2 million a month for 1952. The deficit with the sterling area declined to an average of £24.3 million a month in the first nine months (compared with £31 million a month in the first six and £12.8 million a month in 1952). In other words, in the first half of this year Britain's balance with the non-sterling area improved while that with the sterling area deteriorated; but now, most disappointingly, the trend seems to be moving the other way again.

Lancashire's Recovery—and After

AT the annual conference of the cotton textile industry last week—held, by Lancashire's choice, in Harrogate in Yorkshire—Sir Raymond Streat, the chairman

of the Cotton Board, addressed an audience that has now almost fully recovered from the painful recession of 1951-52; and warned it against complacency. For the rebound to recovery seems to have caught Lancashire somewhat off its guard. Domestic demand is nearly back to what appears to be its "normal" postwar level. Demand from overseas has recovered more slowly, and is now only about 77 per cent of the 1950-51 average; but the proportion of exports consisting of cloth wholly produced in this country has risen from 80 to 90 per cent, and in the past three years Lancashire has at least maintained (at around 15 per cent) its share of world trade in cotton piece goods. In consequence, total orders now reaching the industry would be sufficient to maintain output at about 90 per cent of the pre-recession level. But—and it was this point that Sir Raymond Streat found disturbing—the shortage of workers in all sections has prevented output from rising to more than 88 per cent of that level; the result is that delivery periods are lengthening.

In the next few months demand from overseas is likely to increase further, now that import restrictions in Australia and other countries are being relaxed. But many foreign textile producers have a pool of labour on which they can draw to increase output, and unless Lancashire can compete on deliveries, to say nothing of prices, the new orders will go abroad; since the long-term trend of world trade in cotton piece goods is downwards, and since Britain cannot expect to enjoy its present degree of protection in Colonial territories for ever, any such inroad into Lancashire's traditional markets should be viewed with concern. In the short term, output may be raised to meet new demands by making further efforts to increase the recruitment of workers, but Sir Raymond warned his audience that there was a limit to the number of workers the industry could hope to attract. "Increased productivity," he concluded, "is more than ever our most critical need."

Unfortunately, the record of productivity is not encouraging. Between 1947 and 1951, output per worker in the spinning section rose by 6.3 per cent gross; but, after allowing for changes in the average counts of yarn produced, Sir Raymond estimated the net increase at only about 3.7 per cent. In the weaving section the gross increase during the same period was about 8.2 per cent; but the net adjustments for changes in the type of production, which defy measurement, would probably be greater than in spinning. Moreover, the record has been uneven. "Many units have increased productivity by much more impressive percentages, whilst others have not achieved any increase at all." Presumably these others belong to the body of opinion in the industry that holds that, when times are bad, schemes of re-equipment and redeployment cannot be afforded, and that when times are good they are unnecessary.

Ministry Eases Copper Squeeze

THE Ministry of Materials has this week done a "Dalton in reverse" to bring down prices in the London copper market. On Tuesday afternoon, before its intervention, spot copper prices had reached £246 5s. a ton—a new peak since private dealings began on August 5th, and (when allowance is made for the difference in the terms

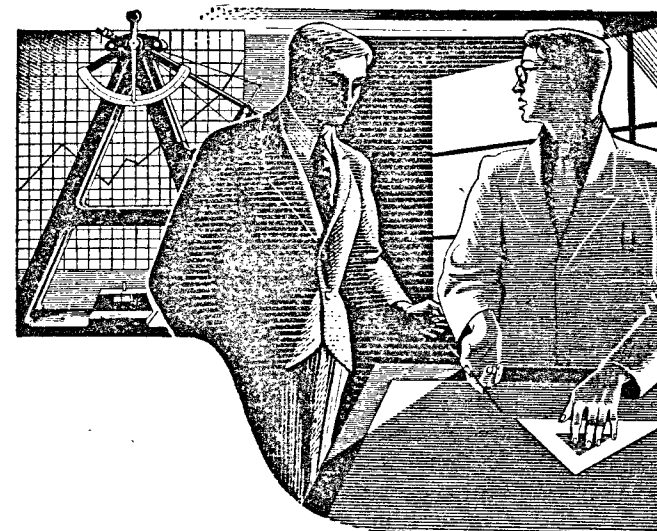
of sale) only about £4 short of the pre-August official selling price of £252 a ton. At this point the Ministry's broker announced that he was offering prompt copper to the market on the standard contract basis; the Ministry had previously sold considerable quantities of specified copper to consumers through the market, but it had not previously sold copper to the market itself. As a result of these offerings, spot copper fell abruptly to close on Thursday at about £237, and three months' fell from £228 a ton to about £223. The Ministry, which holds very large stocks of copper left over from the days when it was the sole British importer, is not attempting to establish any absolute level of prices; but it is naturally anxious that during the transitional period of decontrol the British copper-using industries should not be at a disadvantage in the price of the raw material compared with their foreign competitors. Prices on the Continent have recently been below those on the London market.

The rise in prices in London up to Tuesday last reflected the improvement in demand in Britain and the Continent, the covering of forward sales, and the shortage of prompt supplies from private sources. Prompt copper is also short in the United States, owing partly to the strikes in American and Canadian mines. But the market is still playing Hamlet without the Prince. The agreement that will almost certainly be reached on the sale of Chile's surplus copper to the American stockpile should prepare the way for a resumption of Chilean offers from current production; Chile's traditional customers in the United States do not seem to be in a state to absorb anything like its output of 30,000 to 35,000 tons a month, so that substantial supplies may then come on offer to European consumers. The strikes now current or pending in some Chilean mines may defer this threat, but the large discount for three months' copper on the London market, which has remained at about £15 a ton in recent weeks, suggests that nobody is confident that the deferment will be long.

Slump in Ship Orders

THE flow of orders to British shipyards dwindled to only 350,000 tons gross in the first nine months of this year; indeed, in the third quarter alone the flow almost dried up into a mere 55,000 tons. Total new orders for this year now seem unlikely to reach 500,000 tons, compared with 1,858,000 tons ordered last year and nearly 4,000,000 tons in the boom year of 1951. The industry is in no immediate danger of unemployment. Its order book still stands at the high figure of 5,750,000 tons, compared with the peak of 7,000,000 tons in June, 1952, and its current rate of launching of about 1,250,000 tons a year. Even if the expected improvement in supplies of steel plates next year allows output to be stepped up (towards Britain's estimated full launching capacity of 1,750,000 tons a year, the industry has therefore at least three years' work in hand. But the distant future does not look bright.

Although this year's slump in orders has been world-wide—thanks to lower freight rates and high replacement costs—the industry's most pressing need is to meet the growing competition from foreign yards by reducing costs and delivery periods. Some orders have evidently been lost to the Continent, and some orders for British owners



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have been given to Continental yards. The latest Lloyd's Register returns show that in the third quarter of this year eleven ships totalling 102,000 tons gross were under construction in Holland for British account and two ships totalling 3,600 tons in Germany (which has now jumped into second place behind Britain among the leading ship-building nations). In view of the importance of quoting prompter delivery dates, it is surprising that more steel plate is not being imported into Britain now that supplies are readily available. Prices are higher, but this could surely be offset by the economies of greater productivity.

Burma Imports a Health Service

A NEW fashion in the establishment of a welfare state has been set in the agreement signed in London this week between the Burmese government and a British pharmaceutical company, Evans Medical Supplies Ltd. Burma has plans for a National Health Service—free medicines and all—and the government wants a local pharmaceutical industry to be set up to provide it with drugs, all of which are now being imported (£202,476 of them came from Britain in the first nine months of this year). But since the country is not showing any great haste to compensate the companies nationalised when it assumed independence, it seems unlikely that any of the world's major pharmaceutical producers would be prepared to risk their own capital in Burma at the present time. Under this week's agreement Evans Medical will build and operate a factory outside Rangoon, but all the initial and running capital is to be provided by the Burmese government and paid in advance—out of its sizeable sterling balances in London.

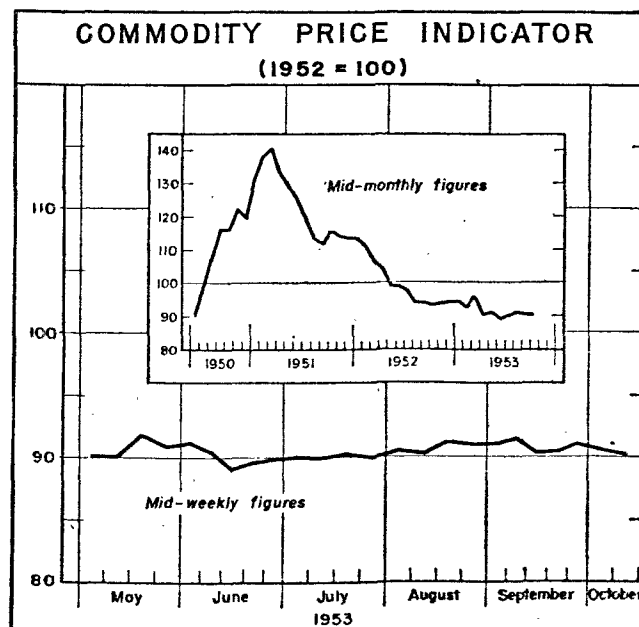
The agreement is to run for seven years, but it is unlikely that the whole scheme will be completed within that period, since it involves training Burmese staff to take over the entire management of the factory. The whole cost of the

venture is likely to run to several millions of pounds, of which more than a million will go on building and equipping the plant and a further portion on Evans Medical's management fee. The project is not an easy one, since pharmaceutical production calls for considerable know-how and immense care at every stage if the products are not to become contaminated. The first stage in Burma is likely to be the dispensing and packing of products imported in bulk from this country (for the purchase of which Evans Medical will be responsible); it will be some time before the new factory can start actual production of drugs. Once the terms that the Burmese government was offering became known, there was considerable competition for the management contract from continental manufacturers. Competition in the industry for new outlets has become acute during the past few years; the end of fighting in Korea may very literally throw a drug on to the market, and import restrictions overseas are being only gradually relaxed. Evans Medical, which does a considerable wholesale business, besides manufacturing drugs, is well placed to carry out an agreement of this kind; but the company's cautious approach to this very novel formula is no doubt well advised.

Treasury Bill Rate Falls

THE Treasury last week reaped an interesting by-product from the success of its bond re-financing operation. The big response to the cash portion of this operation was indirectly responsible for an unusually sharp dip last Friday week in the rate it had to pay on the weekly offering of Treasury bills. At the Treasury bill tenders themselves, the only visible results of the big flow of cash to the Treasury on October 5th were an under-allotment, by £30 million in each week, of the bills offered for tender on October 2nd and 9th, and a cutting of last week's offering to £240 million, the lowest issue for three months. In consequence, the bills issued in the three weeks just ended have fallen £50 million short of the corresponding nominal maturities. The real reduction in the supply of bills in the hands of the banks and the money market has, however, been much larger than this—perhaps about four times as large—because the big cash subscriptions to the new Exchequer Stock issue could not have been financed unless the authorities themselves had been prepared to relieve the resultant stringency in the market by buying up large quantities of bills. These special acquisitions of bills, like those transferred simultaneously by "departments" to finance the internal cash subscriptions, were obviously treated by the Treasury as bills surrendered for immediate cancellation, with the result that the total of outstanding Treasury bills showed an immediate decline of £277 million (in the Exchequer return of October 10th).

This reduction in the bill supply, and especially in the supply of near maturities, has made many banking interests anxious to restore the balance of their portfolios. But at the tender of October 9th, perhaps in consequence of the resultant temporary dislocation of the short loan market, the discount houses refrained from raising their bid—with the result that outside applicants secured a larger share, and the discount market allotment was only 49 per cent of the amount for which it applied, an unusually small proportion



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hat contrasted with 63 per cent in the previous week. Last week, therefore, the discount market attempted to outmanoeuvre its competitors, and raised its bid by 2d. per cent. It did not secure any substantially increased allotment; its proportion rose to 51 per cent. But it did have the effect of reducing the average rate paid by the Treasury on the whole issue to just under 42s. per cent, compared with 42s. 7½d. per cent in the previous week and just under 48s. per cent in the week before the Bank rate reduction. The next few tenders will be closely scrutinised for signs of any abatement of this increased competition.

World Bank Loans for Japan

THE International Bank has caused quite a stir of controversy over its latest activity—the granting of three loans totalling just over \$40 million for the expansion of electric power facilities in Japan. The loans have been made to a government agency, the Japanese Development Bank, which will in turn re-lend the money to three private companies to help finance the construction of three high efficiency thermal electric power stations in central and southern Japan. The loans are guaranteed by the Japanese Government in the usual way, and the interest rate of

5 per cent includes the customary 1 per cent commission charge that the Bank allocates to a special reserve. The controversial feature of the loans is that the principal contractors for the supply of equipment and technicians are two American companies—the Westinghouse Electric International Company and the International General Electric Company—that will participate in the Bank's loan to the extent of over \$6 million. These participations will be repaid between 1956 and 1960, while the rest of the loan is repayable within twenty years.

It has been pointed out, however, that the American companies were granted their supply contracts by the Japanese firms in 1952, whilst the request for a World Bank loan was not made until May of this year. It is therefore maintained that the existence of the World Bank loan could not have influenced the placing of the contract. More than 63 per cent of the Bank's loans in the last year were indeed spent in the United States; but that may be less a sign of any partiality shown by Bank officials than a tribute to the availability of supplies of American capital goods.

Unfreezing German Assets

THE German Federal Government is to make further important relaxations in its restrictions upon the transfer of current earnings on foreign capital. By early next year, profits and dividends earned on direct investments and all other non-contractual credits acquired before July 15, 1931 (the date of the "standstill" agreement), or after September 17th, 1953, will all be freely transferable. Contractual debts have already been dealt with in the London Debts Agreement (that came into force on September 16) and a number of payments have already been made under it. The total of assets on which current earnings have now been freed is some DM 13,000 million. This leaves some DM 7,000 million of non-contractual assets acquired between 1931 and 1953—the "blocked mark" period—as the group of remaining assets on which current earnings are still blocked.

The limitation of the proposed relaxation to earnings on assets acquired outside the "blocked mark" period means that Germany has still not fulfilled its obligations under the OEEC charter to liberalise all current capital transfers—although it has the largest cumulative surplus in the European Payments Union. But it must, in fairness, be admitted that for Germany to resume payment on all its external obligations at one stroke would put an intolerable strain on its economy, resilient though that now is. Annual payments in foreign currency on account of obligations covered by the London Debts Agreement will amount to DM 660 million or so (about £56 million), and within a few years amortisation charges will add another DM 160 million to the annual charge. The recent limited relaxations on the transfer of profits and dividends is expected to cost about DM 250 million. In addition, DM 200 million is required for the German-Israeli reparations agreement. These several arrangements in themselves impose a total annual obligation far in excess of last year's surplus of DM 700 million on the balance of payments. Although this year's surplus is running at a substantially higher level

than this, it would be decidedly dangerous for the German authorities to free the remaining blocked foreign holdings. The DM 7,000 million of restitution claims of German refugees, direct investments financed from blocked mark funds and blocked mark balances themselves, which constitute the rump of blocked foreign assets, would entail an annual transfer charge of around DM 600 million. The problem of un-blocking earnings on these massive holdings is undoubtedly best handled by the German authorities' present piecemeal approach. The prospects for a comprehensive solution will doubtless become clearer in the next few months, when the strain on the economy of the transfers already liberalised can be fully assessed.

Easier Export Finance

THE recent formation of Air Finance Ltd. to help British exporters of aircraft and aero-engines to offer extended credit terms to foreign buyers was "designed to meet a special problem" and the formation in Britain of some special financing organisation for exporters in general, on the lines of the German *Ausfuhrkredit A.G.*, "might not only be superfluous but might also encourage buyers abroad to ask for unnecessarily favourable credit terms." These, broadly and tentatively, are the conclusions that seem to emerge from an admirable little booklet on *Finance for Exports* that has just been published by the private firm of insurance consultants, the Credit Insurance Association Ltd.

The Association recognises flatly that there is an educational, if not an organisational, problem. In consumer goods it is "only during the past few months" that the widespread shortage of money in overseas markets has led to an intensified demand for credit terms. Some British exporters have undoubtedly lost business by their failure to respond to this demand, but the Association ascribes this failure to lack of appreciation of the ample and cheap facilities available for finance through the various forms of commercial bills, especially following the fall in commercial bill rates caused by the recent reduction in Bank rate; an alternative explanation of this failure, of course, is that British manufacturers of consumer goods happen to be enjoying an easy sellers' market at home while they are faced by a bothersome buyers' market abroad.

For exporters of capital goods the Association apparently believes that there was some evidence of an organisational gap up to about April of this year. During the early stages of the return to a world buyers' market, the period for which credit was demanded by overseas importers of capital goods "lengthened first to two years, then to four years, and later to five years." At that time, however, Britain was in the middle of a balance of payments crisis, and the Foreign Exchange Control Committee kept a stern watch over all credits to foreigners for periods longer than six months; while the commercial banks, under the squeeze of a restrictive monetary policy, apparently kept very closely to their traditional rule of requiring to be allowed to call in almost any and every loan upon giving appropriate notice. In the past few months, however, the FECC's regulations have notably eased, while "there have been numerous cases where joint stock banks have discounted bills payable over a period of years." The banks, of

course, will normally only discount the proportion of the face value of bills that is covered by export credit insurance (usually 85 per cent); but some merchant banks have recently tried to meet the manufacturer's desire to receive payment in full on delivery of his goods by, in effect, buying export contracts from him.

With all these avenues open, there is indeed little sign of an "export finance gap." But the booklet hints at a complaint among manufacturers that bankers—befuddled by the alarmingly swift changes in exchange control, Government directives and the credit-worthiness of importing countries—may be ultra-cautious, not so much in the terms that they eventually offer as in their initial assessment of the terms that they are likely to be able to offer; in particular, the dissemination of news about day-to-day changes in the situation—and in the last few months these changes have been very great—may be slow in seeping through to the district and branch banks that "represent almost the sole source of financial guidance for countless business firms."

BBC Goes VHF

THE BBC's announcement of plans to set up 51 new sound broadcasting stations operating on very high frequency wavebands gave no details of the type of modulation they will use. There are two choices open, frequency modulation and amplitude modulation, and BBC engineers are for the former to a man. Growing interference from foreign stations on the over-crowded medium wavebands has made the provision of sound programmes on the very high frequency bands highly desirable—in this case Band II, which was reserved for sound broadcasting on the advice of the Television Advisory Committee. Owners of radio receivers might have to spend between £5 and £15 for adapters to pick up these transmissions, or pay about 10 per cent more for new radio sets. But since the change has to be made, the BBC argues that listeners may just as well be given the additional advantage of frequency modulation, a system of transmission that is generally held to give far better reproduction and greater freedom from interference than amplitude modulation; but its principal virtue in the eyes of the BBC may well be its stronger signal over long distances, a property that will reduce the number of transmitters needed to cover the country.

A number of countries, including the United States, have experimented with FM stations, but they have not proved popular because the problem of interference on the medium wavebands did not exist to anything like the degree that it does in Europe. The only advantage of the FM stations was the reputedly better quality of transmission, but this hardly justified the higher cost of the sets needed to pick up the transmissions. The BBC has been operating an experimental FM transmitter for several months and is highly pleased with the results, but the final word on which type of modulation will be used rests with the Government, acting on the advice of the Television Advisory Committee. Some people in the radio industry are opposed to the introduction of FM in place of AM transmissions, and these have a voice on the Committee. The BBC may, therefore, not win without a struggle its point that very high frequency broadcasting—if it has to come—is better on FM than on AM.

The Economist 1843-1943

This book was originally published to mark the centenary of the first issue of *The Economist*, which appeared on September 2, 1843. Owing to wartime restrictions, the edition had to be a small one, and it went out of print almost at once. It has now been reprinted and the new edition was published on September 2, 1953, the paper's 110th birthday. In addition to chapters dealing with the history of *The Economist* and with the role that it played in its first century of publication, the book contains contributions by a number of distinguished individuals, including the following:

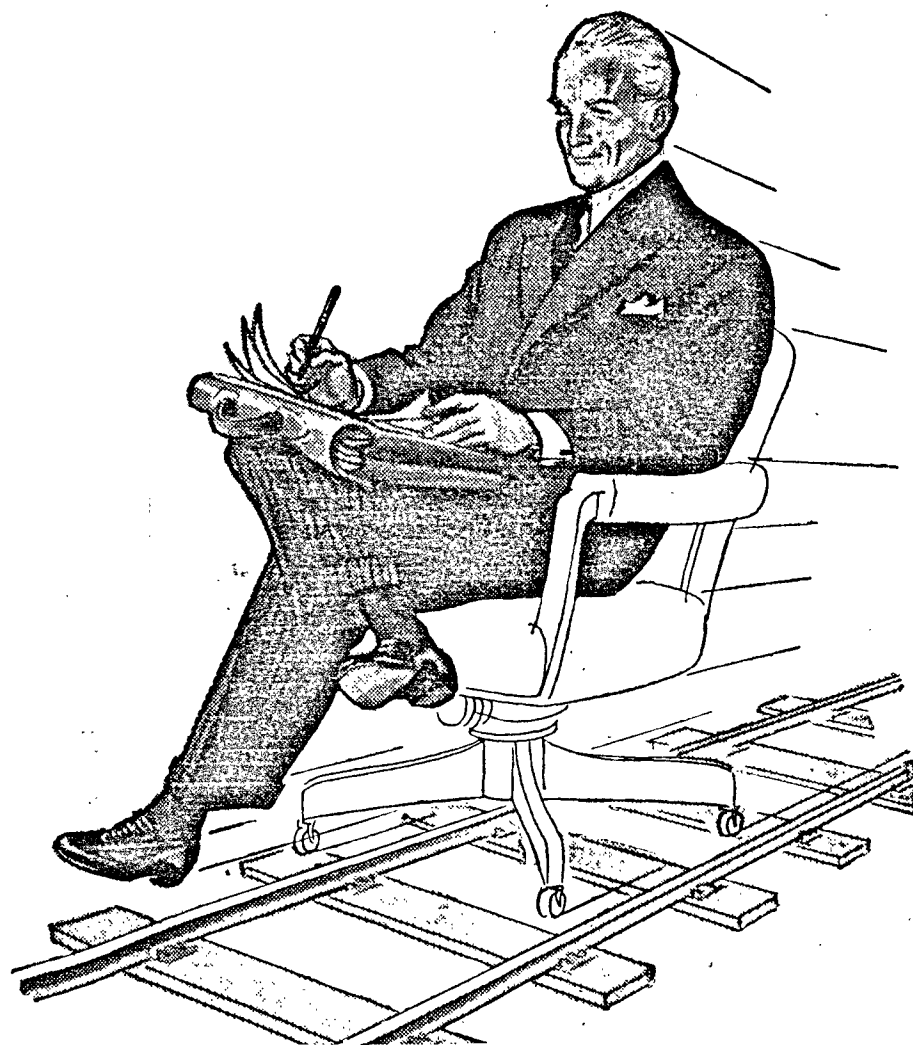
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4 HRS 10 MINS	LONDON DARLINGTON
4 HRS 56 MINS	LONDON NEWCASTLE

Progress in Terylene

DURING the past month, Imperial Chemical Industries has licensed the production of the synthetic fibre "terylene" to companies in France, Germany and Italy. Of the new synthetic fibres developed since nylon, "terylene" appears to have made the most headway. Most of its development troubles, such as the difficulty of making dyes penetrate its almost non-absorbent fibre, have been met at the factory stage, whereas the difficulties of the other synthetics have often not come to light until they faced the actual processing of the fabrics in the mills. And where that has happened it has been correspondingly more difficult for the chemical factories to detect and eventually correct the limitations before the fibres reached the market in quantity. Reports from the United States suggest that some of the more ambitious plans for producing acrylic fibres (these, broadly speaking, are the fibres that can be given a wool-like "feel," as distinct from the more silky texture of nylon or "terylene") have been severely trimmed. In this country, opinion differs sharply about the success of ICI's wool-like fibre "ardil," and there are indications that ICI is having second thoughts.

"Terylene" is not yet in full production. ICI is putting up a full scale plant in two stages; the first section, with an annual capacity of 11 million pounds, should be completed by the end of next year, whilst the second, which will raise total capacity to 22 million a year, is due to come into production by 1956. At present, therefore, only pilot quantities of yarn are reaching the market. In the United States, where du Pont is producing "dacron," a modified version of "terylene," the first unit of a full-scale plant to produce 35 million pounds annually came into operation this spring, and the remaining five units should be working by the end of the year. Neither the British nor the American market, therefore, has yet had really appreciable quantities of this type of fibre, but the manufacturers—including those

on the Continent who have recently taken out licences—are reasonably confident of finding a ready market for quite substantial quantities. The success of this new synthetic, like that of nylon, depends upon its special properties rather than a competitive selling price. Experience in developing synthetic fibres during the past few years suggests that, unless it can offer such special features, a new chemical fibre may find it difficult to compete—either in price or performance—with rayon or the natural fibres. The tempo of the mills has been tuned to the special characteristics of the traditional fibres, and it is apparently not easy, even in the United States, to alter it to meet the less tractable features of the newer chemical products.

SHORTER NOTES

The new futures contract for wheat on the Liverpool grain market contains premiums designed to attract certain qualities to the market. For Canadian Manitoba wheat the premium is 2d. per cental of 100 lb, and for American spring wheat and Australian wheat it is 1d. per cental. In other respects the contract is virtually the same as before the war. The market, which will begin trading in wheat futures on December 1st, is expected to announce the months of delivery next week.

★

Prices of a number of oil products have been reduced during the past two weeks. The price of most types of fuel oil have been reduced by 1/8th of a penny a gallon, and the prices of marine bunkers by amounts ranging from 7s. a ton on all grades marketed by Esso to cuts of between 2s. 6d. a ton and 10s. a ton on bunkers supplied by the Shell Petroleum Company. The price of commercial grade petrol was earlier reduced by 1/4d. a gallon but the prices of the premium grades of petrol, of kerosine and of aviation spirit remain unchanged.

Company Notes

ANGLO-AMERICAN (GOLD MINES). The reports for the September quarter published last week by the Anglo-American Corporation group of gold mines in South Africa injected new life into the Kaffir market, which had been off colour for a long time. The glitter lay not in gold profits (which continued to sag), but in the uranium profits of the Daggafontein mine and in the most cheering report of underground reef development yet to have come out of the Orange Free State (on the new haulage being driven by Western Holdings towards its boundary with Free State Geduld). Daggafontein's uranium profits rose from £120,000 in the June quarter to £228,000 in the September quarter, easily offsetting the drop from £991,873 to £971,683 in its working profits from gold alone. Western Reefs, another company in the group, announced that its uranium plants were brought into commission towards the end of the September quarter,

that operations are in progress on a gradually increasing scale, and that the first profits from this source will be declared in the December quarterly

PROFITS OF ANGLO-AMERICAN GOLD MINES

	Profit, June qtr.	Profit, Sept. qtr.
Brakpan	£67,550	£75,388
Daggafontein	(a) 991,873	(a) 971,683
E. Daggafontein	145,304	147,355
S.A. Land	14,223	157,804
Springs	26,804	29,469
Welkom	57,025	12,666
Western Reefs	240,201	233,459

(a) Not inclusive of uranium profits of £120,000 in June quarter and £228,000 in September quarter.

figures. Here again, profits from gold during the past quarter fell from £240,201 to £233,459; but obviously the profits from uranium are likely to offset this.

The striking news from Western Holdings is that a distance of 60 ft was developed last quarter, all of which was

payable, with the exceptionally high average grade of 2.025 inch-dwts; the first quarterly working profit from this mine for the September period was £30,036. There were also more encour-

MARKET PRICES OF ANGLO-AMERICAN SHARES

	Oct. 15.	Oct. 20.	Oct. 21.
Brakpan (5/-)	10/3	10/3	10/-
Daggafontein (5/-)	72/6	74/4	74/4
E. Daggafontein (10/-)	13/-	13/3	13/3
President Brand (5/-)	27/-	28/3	27/9
S.A. Land (3/6)	20/-	19/9	19/9
Springs (5/-)	4/3	4/4	4/3
Welkom (5/-)	17/-	16/9	16/6
Western Holdings (5/-)	70/7	75/-	75/-
Western Reefs (5/-)	45/9	48/7	48/3
<i>"Financial Times" Indices:</i>			
Gold Mines	84.24	85.57	84.57
„ Developing	79.97	81.72	80.74

aging reports from President Brand, where the reef footage sampled increased from 555 to 1,420, and values averaged 1,138 inch-dwts compared with 919 inch-dwts in the previous quarter. Among the operating mines, as the first of the accom-

panying tables shows, there was a serious drop in the profits of the Welkom mine last quarter; the mine encountered an unusually large number of water-bearing fault fissures that required cementation (a trouble that also prevented any development on reef by Free State Geduld during the entire quarter). Apart from Welkom, Daggafontein and Western Reefs, the other operating companies in the group showed a slight increase in profits from gold mining last quarter. The market's reaction to this good news is shown in the second of the accompanying tables; it will be seen that the *Financial Times* index of shares of operating gold mines rose from 84.24 to 85.57 between Thursday of last week and Tuesday of this, while its index of developing gold mines rose from 79.97 to 81.72. But then Dr Malan's somewhat depressing speech in the South African Parliament caused a reaction, to 84.57 and 80.74 respectively, on Wednesday.

THOMAS W. WARD. The activities of Thomas W. Ward stretch over an unusually large field; it is the largest company in the country to be concerned with the collection and supply of scrap iron and steel for steel manufacturers, and it is also engaged in brick-making, quarrying, and the dismantling of ships. Most of these—by no means interdependent—activities were in voracious demand during the peak years of postwar boom; and it is not surprising that 1950-51 and 1951-52 were the best years, both as regards turnover and profits, in the company's long history. It is also not surprising, that the chairman felt it right to warn shareholders a year ago that some recession in profits should be expected in the twelve months to June 30th, 1953.

In the event, however, the recession has been very slight. Indeed the preliminary statement now issued actually shows an increase of over £140,000 in the group's net profit, from £805,471 to

£946,868; these figures are struck, however, after including £148,771 (compared with £35,167 a year ago) of exceptional income and transfers from reserves. When these are excluded, and when allowance is made for a fall of nearly £50,000 in the tax bill, it appears that gross trading profits are down by about £22,000. This very conservative company has therefore felt able to consolidate last year's cash bonus of 5 per cent into the dividend (to make 20 per cent); and to supplement it by a tax free bonus of 2½ per cent, ostensibly to mark the 75th anniversary of the founding of the business. The directors have elected to pay this bonus out of capital profits, but shareholders who hope for its consolidation next year can note with comfort that

	Years ended June 30	1952	1953
Group net profit (a).....		805,471	946,868
Taxation.....		1,076,564	1,027,342
Exceptional income and from reserves.....		35,167	148,771
Retained by subsidiaries.....		230,516	356,033
Holding Co's. net profit.....		574,955	590,835
Fixed assets replacement reserve.....		Nil	150,000
Contingencies.....		200,000	Nil
General reserve.....		200,000	300,000
Dividend (per cent).....		20	20 (b)
Carry forward.....		497,727	471,690

(a) After tax and including exceptional income and transfers from reserves. (b) Also 2½ per cent (nil) tax free bonus from capital profits.

the 20 per cent is covered about five times by net current earnings. While the ordinary dividend absorbs only £115,500 net, this year's allocation to general reserve is £300,000 (against £200,000 last year), and £150,000 is added to the reserve for replacement of fixed assets which has stood at £100,000 since 1948. The announcement of the results made little or no impression on the market price of the £1 shares; at 78s. 9d. they yield about £5 2s. per cent on the basis of a 20 per cent dividend—but optimists can also take the 2½ per cent cash bonus and the ample cover for the dividend into account.

THE ECONOMIST, OCTOBER 24, 1953

LONDON STOCK EXCHANGE

Next Account begins: October 28th.
Next Contango Day: October 28th
Next Settlement Day: November 3rd.

THE cheerful atmosphere pervading markets at the end of last week, aided partly by more dividend increases and partly by some good quarterly Kaffir reports, gave way to a cautious and subdued tone after the week-end. On Monday gilt-edged were nearly all ½ off on the day, and foreign bonds fell sharply. The announcement that the first steel de-vesting operation, of the ordinary shares of United Steel, was imminent failed to act as a stabilising factor for the Funds; but it also did not prevent a few scattered gains among industrial equities, especially in engineering, motors and paper-making issues. Elsewhere in the markets, a further general advance occurred in Kaffirs, led by "uranium" shares and Orange Free State developers, and most dollar securities hardened in sympathy with the firmer tone on Wall Street.

Tuesday was a day of irregular but relatively slight price movements; the majority of gilt-edged prices were unchanged, but the *Financial Times* index of industrial ordinary shares lost 0.2 of a point. It was not until Wednesday, with the settlement out of the way, that a gradually firmer tendency became noticeable. A few of the longer dated and undated gilt-edged stocks put on ½ to 1, thus regaining Monday's losses; and there was a further and more general improvement by Thursday's opening. Foreign bonds, particularly German Potash issues, attracted support, and industrials resumed their upward movement; paper-making issues were especially prominent with Albert E. Reed spurring 8s. 6d. to 95s. on rumours of a free scrip bonus. The *Financial Times* ordinary share index rose on the day from 127.8 to 128.1, its highest for over a fortnight, and a full point above the 127.1 on Wednesday of last week. Kaffirs, however, lost some of their previous gains.

In other sections of the market the week has been relatively uneventful. Leading oil shares have been steady to firm, but base metals have been easier for choice. Tea shares have been quiet, but rubbers have been generally weaker.

FINANCIAL TIMES INDICES

1953	Security Indices		Yields	
	Ord.*	Fixed Int.†	2½% Cons.	Ord.
Oct. 14 ...	127.1	111.25	3.93	5.59
" 15 ...	127.5	111.26	3.93	5.58
" 16 ...	127.7	111.30	3.92	5.57
" 19 ...	128.0	111.28	3.93	5.56
" 20 ...	127.8	111.28	3.93	5.57
" 21 ...	128.1	111.30	3.93	5.56
1953, High.	128.5	111.43		
" (Oct. 2)	113.9	105.68		
" Low.	113.9	105.68		
" (May 20)				
1952, High.	121.5	106.66		
" (Jan. 1)	103.1	100.67		
" Low.	103.1	100.67		
" (June 24)				

* July 1, 1935=100. † 1928=100.

LONDON ACTIVE

Prices, 1953 Jan. 1 to Oct. 21		BRITISH FUNDS AND GUARANTEED STOCKS		Price, Oct. 14, 1953	Price, Oct. 21, 1953	Net Yield, Oct. 21, 1953 %	Gross Yield, Oct. 21, 1953 %	Prices, Jan. 1 to Oct. 21, 1953
High	Low							High
100½	99½	War Bonds 2½% '52-54...	100½	100½	100½	4 9 10	4 9 10	46/10½
100½	98½	Exchequer 2½% 1955...	100½	100½	100½	1 1 3	2 4 4	14/3
101½	99½	Exchequer 3% 1960...	101½	101½	101½	1 7 9	2 15 2	55/4½
99½	99½	Exchequer 3% '62-63...	99½	99½	99½	1 13 7	3 0 10½	51/4½
100½	99½	Serial Funding 1½% 1953...	99½	99½	99½	1 6 1	1 19 2	32/10½
99½	98½	Serial Funding 1½% 1954...	99½	99½	99½	1 0 4	2 6 4	28/9
101½	100½	Serial Funding 3% 1955...	101½	101½	101½	1 3 2	2 7 2	48/1½
100½	98½	War Bonds 2½% '54-56...	100½	100½	100½	1 3 11	2 11 0	49/3
100½	99½	Funding 2½% '52-57...	100½	100½	100½	1 5 11	2 14 3	50/6
101½	99½	Nat. Def. 3% '54-58...	101½	101½	101½	1 7 5	2 14 4	66/3
102½	99½	War Loan 3% '55-59...	101½	101½	101½	1 18 8	3 6 8	42/4½
97½	91½	Savings Bonds 3% '55-65...	97½	97½	97½	1 14 7	2 17 6	40/5½
98½	93½	Funding 2½% '56-61...	97½	97½	97½	2 5 5	3 13 9	60/6
92½	86½	Funding 3% '59-69...	92½	92½	92½	2 3 1	3 11 8	46/-
94½	87½	Funding 3% '66-68...	94	94	94	2 5 9	3 14 7	19/6
102½	98½	Funding 4% '60-90...	100½	100½	100½	2 6 5	3 15 10	35/10½
91½	85½	Savings Bonds 3% '60-70...	91½	91½	91½	2 7 2	4 6 1	36/-
91	84½	Savings Bonds 2½% '64-67...	89½	89½	89½	2 5 6	3 9 5	7/7½
103½	100½	Victory 4% '20-76...	101½	101½	101½	2 1 1	3 17 2	103/-
89½	82½	Savings Bonds 3% '65-75...	88½	88½	88½	2 6 5	3 15 10	67/-
95½	86½	Consols 4% aft. Feb. '57...	93½	93½	93½	2 7 2	4 2 1	38/9
86½	77½	Conv. 3½% aft. April '61...	84½	84½	84½	2 5 4	4 6 8	96/3
64½	57½	Treas. 2½% aft. April '75...	63½	63½	63½	2 3 6	3 19 2	29/7½
75	67½	Treas. 3% aft. April '66...	74½	74½	74½	2 4 8	4 1 3	68/-
94½	87½	Treas. 3½% '77-80...	93½	93½	93½	2 5 4	3 19 0	7/3
94	90½	Treas. 3½% '79-81...	93½	93½	93½	2 5 5	3 18 9	23/3
84½	76	Redemption 3% '86-96...	84½	84½	84½	2 4 7	3 15 1	38/9
87½	78½	War L'n 3½% aft. Dec. '52...	85½	85½	85½	2 5 4	4 3 1	103/-
64½	58½	Consols 2½%...	63½	63½	63½	2 3 3	3 18 9	67/-
89½	83½	Br. Elec. 3% '68-73...	89½	89½	89½	2 7 3	3 16 4	60/4½
88½	82½	Br. Elec. 3% '74-77...	88½	88½	88½	2 6 5	3 15 10	8½
102½	99½	Br. Elec. 4½% '74-79...	102½	102½	102½	2 4 2	4 2 1	58/7½
94½	88½	Br. Elec. 3½% '76-79...	93½	93½	93½	2 5 3	3 17 6	63½
85	76½	Br. Trans. 3% '78-88...	84½	84½	84½	2 6 8	3 17 6	33½
89½	83½	Br. Trans. 3% '68-73...	89½	89½	89½	2 7 3	3 16 4	31/10½
101	95½	Br. Trans. 4% '72-77...	100½	100½	100½	2 3 10	4 0 7	44/1½
85½	76½	Br. Gas 3% '90-95...	84½	84½	84½	2 4 11	3 15 4	66/6
96½	91½	Br. Gas 3½% '69-71...	96½	96½	96½	2 4 2	3 16 9	31/9
99½	98½	Br. Gas 4% '69-72...	99½	99½	99½	2 4 6	4 0 9	51

(e) To earliest date. (f) Flat yield. (l) To latest date. (s) Net yields are calculated after allowing for tax at 9s. 0d. in £. * Ex dividend. † Assumed average life 12 years approximately.

Prices, 1952		Prices, 1953 Jan. 1 to Oct. 21		TRUSTEE STOCKS AND FOREIGN BONDS		Price, Oct. 14, 1953	Price, Oct. 21, 1953	Yield, Oct. 21, 1953
High	Low	High	Low					
88½	81½	91½	84½	Aust. 3½% '65-69...	90	90½	4 1 0	64/3
92½	86	95½	91	N. Zealand 3½% '62-65...	94½	95	3 15 4	41/-
98½	89½	93½	93½	S. Africa 3½% '54-59...	98½	98½	3 15 9	43/10½
68	60½	73½	66½	L.C.C. 3% aft. 1920...	73	73	4 2 2	39/9
91	84	95½	90½	Liverpool 3% '54-64...	95	95	3 11 2	61½
91½	85½	93	88½	P.L.A. 3½% '66-71...	92½	93	4 1 3	60/3
103½	97½	104½	101½	Agric. Mort. 5% '59-89...	102	102	4 12 3	63½
68½	61½	76½	66½	Austria 4½% '34-59...	76	76	4 8 10	6/9
13	5	21½	8	Chinese 5% 1913...	14½	14½	Nil	33/-
68½	43½	70½	49½	German 5%...	67	67½	...	54/4½
85½	45	94½	65	German 4½%...	91½	93	...	45/6
145½	103	139½	119	Japan 5% 1907...	136	135	...	4

Prices, 1953 an. 1 to Oct. 21		Last Two Dividends (a) (b) (c)	ORDINARY STOCKS		Price, Oct. 14, 1953	Price, Oct. 21, 1953	Yield, Oct. 21, 1953
High	Low						
68/10½	58/1½	7 b	BANKS & DISCOUNT		68/-	68/-	4 2 4
58/-	46/3	6 b	7 a Barclays "B" £1...	57/-	57/6	4 3 6	45/3½
75/6	64/-	8 b	6 a Lloyds "A" £5, £1 pd.	74/6	75/-	4 5 4	37/
74/1½	59/3	8½ b	8 a Midland £1, fully pd.	73/-	73/6	4 12 6	64/
85/-	70/-	9 b	8½ a N. Prov. "B" £5, £1 pd.	83/-	84/-	4 5 9	75/-
87/-	67/6	10 b	9 a Westminster £4, £1 pd.	83/6	86/-	4 1 5	20½
53/-	41/4½	5 b	7½ a Alexanders £2, £1 pd.	52/-	52/6	3 16 2	
49/-	39/-	5 b	5 a Nat. Disc. "B" £1...	48/-	48/-	4 3 4	
39/7½	32/3	4 b	5 a Union Disc. £1...	37/-	37/-	4 6 6	
49/-	39/3	9 b	4 a Barc. (D.C. & O.) "A" £1	41/6	41/6	6 15 0	
			7 a Chart. Bk. of India £1				
9½	7½	50 a	INSURANCE				
22½	17½	40½ b	85 b Leg. & Gen. £1, 5/ pd.	21	21	3 13 11	Balt. & Chic
38½	32½	100½ c	20½ a Pearl £1, fully pd.	38½	38½	4 19 2	Can. Pac. ...
			105½ c Prudential "A" £1...				N.Y. Cent. ...
			BREWRIES, ETC.				Pennsyl. ...
31/6	114/9	33 b	10 a Bass £1...	125/7½	125/7½	6 16 11	Amer. Tel. ...
18/3½	15/9½	7½ a	15 b Distillers 4/-...	17/6	17/9	5 1 5	Stand. Gas. ...
31/9	27/-	10 b	7 a Guinness 10/-...	31/6	31/-	5 9 8	United Corp. ...
10/-	8/-	8 b	4 a Ind. Coops 5/-...	8/9	8/9	6 17 2	W. Union Te

† Free of tax. Yield calculated on gross basis. (a) Interim dividend. (b) Final dividend. (c) To earliest date. (f) Flat yield. (g) Includes 2% centenary bonus; yield basis 14%. (h) for 9 months; yield basis 16%. (i) Also 5% Coronation bonus, not included in yield. (l) To latest date. (m) Yield basis 10%. (n) Yield basis 8½% after capital bonus. (p) Also 20%. (r) Yield basis 15% after capital bonus. (s) Yield basis 12½% after capital bonus. (t) Y.

Statistics

	Norway	Sweden	Turkey
55	52	21	
143	140	103	
152	148	104	
152	140	108	
152	140	108	
152	139	103	
152	138	...	

TOTAL MANI

Working population:			
Total	135	130	111
Men	135	130	112
Women	135	130	113
Armed Forces.....	135	130	113
	136	130	...

Civil employment

Total			
Agriculture, forestry and fish.			
Mining and quarrying.....	32	45	21
Building and contracting...	128	145	91
Distributive trades	132	152	91
Public administration.....			
Manufacturing industries...			

CHANGES IN EMPLOYMENT			
Increase or decrease since Jan. 1, 1953	134	143	87
Employees in engineering...	119		84
Employees in engineering...	133	141	88
Employees in consumer goods...	119	...	91

UNEMPLOYED

By duration:			
All durations—total	41/-	51	27
—men	32	42	24
—women	138	165	128
Temporary or under 2 weeks	137	154	122
Over 8 weeks—men	117	138	108
—women	109	137	108
By industry (%):			
Textiles	116	...	112
Clothing	120	...	...
Vehicles			
Engineering, etc.			
Coal-mining			
Distributive trades			

By regions (%)

Great Britain	mn.	mn.</
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Statistics

The following list shows the most recent date on which each statistical page appeared.

BRITISH			OVERSEAS		
Prices and Wages.....	Oct. 3rd	Western Europe:	Production and Trade.....	Oct. 3rd	
Production and Consumption	Oct. 10th	British Commonwealth	Oct. 10th		
Manpower.....	This week	Western Europe:	Prices and Money Supply	This week	
External Trade.....	Sept. 26th	United States	Sept. 26th		
Financial Statistics	This week	World Trade.....	Oct. 17th		
Industrial Profits	Oct. 17th				

Manpower in Great Britain

	Unit	Monthly averages			1952			1953			
		1950	1951	1952	July	Aug.	Sept.	June	July	Aug.	Sept.
TOTAL MANPOWER⁽¹⁾											
Working population:											
Total	'000s	22,954	23,228	23,294	23,297	23,379	23,367	23,325	23,352	23,473	...
Men	"	15,678	15,791	15,864	15,865	15,902	15,902	15,862	15,864	15,918	...
Women	"	7,276	7,437	7,430	7,432	7,477	7,465	7,463	7,488	7,555	...
Armed Forces.....											
	"	690	827	872	872	871	873	865	865	865	...
Civil employment											
Total	"	21,993	22,214	22,119	22,107	22,173	22,151	22,190	22,214	22,320	...
Agriculture, forestry and fishing.....	"	1,161	1,139	1,112	1,122	1,137	1,127	1,092	1,102	1,117	...
Mining and quarrying.....	"	852	856	875	876	877	876	876	874	872	...
Building and contracting.....	"	1,434	1,449	1,435	1,430	1,433	1,432	1,448	1,440	1,452	...
Distributive trades.....	"	2,571	2,600	2,616	2,623	2,634	2,630	2,641	2,649	2,666	...
Public administration.....	"	1,362	1,350	1,336	1,336	1,335	1,333	1,320	1,319	1,318	...
Manufacturing industries.....	"	8,510	8,736	8,626	8,590	8,624	8,654	8,723	8,732	8,799	...
CHANGES IN EMPLOYMENT⁽²⁾											
Increase or decrease since June, 1950:											
Employees in engineering ⁽³⁾	'000s	—	+ 103	+ 212	+ 196	+ 209	+ 214	+ 183	+ 179	...	...
" " consumer goods industries ⁽⁴⁾	"	—	+ 74	+ 126	+ 142	+ 124	+ 104	+ 12	+ 23	...	...
UNEMPLOYMENT											
By duration:											
All durations—total	'000s	314.2	252.9	214.2	213.5	203.6	203.6	207.7	203.5	202.0	...
" " —men	"	220.1	161.5	127.8	121.0	121.3	121.3	123.5	120.9	124.1	...
" " —women	"	94.1	91.4	86.4	92.5	82.3	82.3	84.2	82.6	77.9	...
Temporary or under 2 weeks—men.....	"	59.2	49.8	37.8	38.8	32.1	32.1	35.9	35.0	36.8	...
" " —women.....	"	33.8	37.7	34.7	34.7	32.2	32.2	35.6	32.9	34.8	...
Over 8 weeks—men.....	"	105.3	73.2	55.9	50.6	48.3	48.3	50.7	48.3	45.2	...
" " —women.....	"	32.5	27.9	20.2	21.7	18.8	18.8	22.7	21.9	21.0	...
By industry⁽⁵⁾:											
Textiles	%	0.6	0.8	8.6	10.9	9.2	7.2	1.2	1.0	0.9	...
Clothing.....	"	1.1	1.7	2.9	3.2	2.8	2.2	1.5	1.3	1.2	...
Vehicles.....	"	0.8	0.5	0.7	0.8	0.8	0.8	0.7	0.6	0.7	...
Engineering, etc.	"	1.5	1.0	1.4	1.4	1.4	1.5	1.4	1.2	1.2	...
Coal-mining	"	0.3	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	...
Distributive trades	"	1.2	1.1	1.5	1.3	1.4	1.5	1.3	1.2	1.3	...
By regions⁽⁶⁾:											
Great Britain.....	"	1.5	1.2	2.0	1.9	1.9	1.9	1.4	1.3	1.4	...
London and South Eastern.....	"	1.1	0.9	1.3	1.1	1.2	1.1	1.0	0.9	1.0	...
Eastern.....	"	1.2	0.9	1.3	1.0	1.2	1.1	0.9	0.8	0.9	...
Southern.....	"	1.4	1.1	1.4	1.1	1.2	1.1	0.9	1.1	1.1	...
South Western.....	"	1.4	1.2	1.5	1.2	1.3	1.4	1.3	1.2	1.3	...
Midland.....	"	0.5	0.4	0.9	0.9	1.0	1.0	0.9	0.9	0.9	...
North Midland.....	"	0.6	0.5	1.0	1.0	1.0	0.9	0.6	0.5	0.6	...
East and West Ridings.....	"	0.9	0.9	1.9	1.9	1.7	1.7	1.1	1.0	1.1	...
North Western.....	"	1.6	1.2	3.6	3.9	4.0	3.6	1.8	1.7	1.7	...
Northern.....	"	2.8	2.2	2.6	2.2	2.6	2.5	2.1	1.9	2.2	...
Wales.....	"	3.7	2.7	2.9	2.6	2.7	2.7	2.8	2.5	2.8	...
Scotland.....	"	3.0	2.5	3.3	3.2	3.1	3.1	2.7	2.6	2.7	...
VACANCIES											
Unfilled vacancies notified to Employment Exchanges:											
Total	'000s	347	313	230	309	267	250	296	321	...	...
Men	"	190	203	131	191	167	154	157	171	...	...
Women	"	157	105	99	118	100	96	139	155	...	...
DISPUTES⁽⁷⁾											
Workers involved.....	'000s	25	32	35	17	39	24	22	14	19	...
Working days lost:											
Total	"	116	141	149	272	167	104	59	32	56	...
Mining and quarrying.....	"	36	29	55	17	83	31	30	12	29	...
Engineering, etc.	"	25	43	66	233	58	46	23	7	10	...
Other industries and services.....	"	55	69	28	22	26	27	6	13	17	...

(1) Annual figures are for June of each year. (2) Engineering, shipbuilding and electrical goods, vehicles, metal goods, precision instruments and jewellery. (3) Textiles, leather goods, clothing, food, drink and tobacco, manufactures of wood and cork, paper and printing. (4) Number registered as unemployed expressed as a percentage of the number of employees. (5) United Kingdom

Prices and Money Supply in Western Europe

	Austria	Belgium	Denmark	France	Germany, F.R.	Greece	Ireland	Italy	Netherlands	Norway	Sweden	Turkey
WHOLESALE PRICES⁽¹⁾ (1948 = 100)												
1938.....	31	26	44	6	63	0.4	43	2	36	55	52	21
1951.....	228	121	147	155	159	149	122	103	143	143	140	103
1952.....	253	114	143	163	165	149	129	97	140	152	148	104
1953												
April.....	231	106	136	156	160	153	130	96	134	152	140	108
May.....	234	106	135	156	160	166	130	96	135	152	140	108
June.....	242	106	135	156	159	180	129	96	134	152	140	106
July.....	239	106	134	154	159	185	...	97	133	152	139	103
August.....	243	...	131	154	...	190	...	...	...	152	138	...
COST OF LIVING⁽²⁾ (1948 = 100)												
1938.....	31	27	60	6	64	0.4	55	2	49	63	61	29
1951.....	185	105	119	130	108	139	110	110	128	122	120	103
1952.....	217	106	123	145	110	146	119	114	128	133	129	109
1953												
April.....	197	105	123	145	109	148	...	117	128	135	130	111
May.....	196	105	...	146	108	152	127	118	129	135	130	112
June.....	197	105	...	145	108	159	...	118	129	135	130	113
July.....	197	105	123	144	108	163	...	116	129	135	130	113
August.....	199	106	...	143	108	...	...	...	...	136	130	...
IMPORT PRICES⁽³⁾ (1948 = 100)												
1938.....	...	27	40	7	39	...	39	1	24	32	45	21
1951.....	241	120	133	187	127	...	128	112	131	128	145	91
1952.....	250	116	130	182	121	...	129	109	131	132	152	91
1953												
March.....	235	114	121	167	110	...	124	103	120	134	143	87
April.....	246	112	...	167	107	...	124	104	117	119	...	84
May.....	277	111	119	163	108	...	125	103	117	133	141	88
June.....	259	108	...	...	105	...	122	102	119	124	...	91
July.....	...	...	...	...	106	...	...	...	...	119	...	...
EXPORT PRICES⁽⁴⁾ (1948 = 100)												
1938.....	...	25	40	6	51	...	37	1	25	32	42	24
1951.....	233	120	109	146	122	...	123	110	115	138	155	128
1952.....	263	120	114	158	131	...	126	107	117	137	154	122
1953												
March.....	215	107	111	151	125	...	124	111	108	117	138	108
April.....	219	103	...	...	124	...	117	106	114	109	...	108
May.....	255	100	108	151	122	...	116	108	108	121	137	111
June.....	261	100	...	...	124	...	108	109	107	116	...	112
July.....	...	101	...	...	123	...	...	...	...	120	...	...
CURRENCY IN CIRCULATION⁽⁵⁾												
End of period	'000 mn. schillings	'000 mn. francs	mn. kroner	'000 mn. francs	'000 mn. D. marks	'000 mn. drachmas	mn. £	'000 mn. lire	mn. guilders	mn. kroner	mn. kroner	mn. £T.
1938.....	...	23.6	425	112	...	...	18.2	19	1,048	455	1,040	213
1951.....	7.82	99.1	1,734	1,883	8.80	2,198	64.3	1,237	3,039	2,530	4,140	1,179
1952.....	8.79	102.1	1,889	2,124	10.22	2,476	69.9	1,343	3,171	2,787	4,620	1,280
1953												
April.....	8.69	102.1	1,814	2,127	10.54	2,476	68.6	1,241	3,167	2,668	4,460	1,272
May.....	8.67	101.9	1,772	2,101	10.50	2,353	67.9	1,236	3,174	2,664	4,300	1,282
June.....	8.91	102.6	1,778	2,142	10.67	2,328	67.4	1,220	3,168	2,755	4,380	1,282
July.....	9.24	105.1	1,761	...	10.88	...	67.3	1,256	3,205	2,824	4,140	1,325
August.....	...	...	...	...	...	...	67.9	...	...	...	4,400	1,413
GOLD AND FOREIGN EXCHANGE HOLDINGS⁽⁶⁾ (mn. US Dollars)												
1938.....	...	736	76.7	2,791	...	26.8	59	201	1,003	128.3	512	34

Financial Statistics

EXCHEQUER RETURNS

For the week ended October 17th there was an "above-line" deficit (after allowing for Sinking Funds) of £37,332,000 compared with a deficit of £22,340,000 in the previous ten days and a deficit of £51,450,000 in the corresponding period last year, raising the cumulative deficit to £336,875,000 (£382,125,000 in 1952-53). Net expenditure "below-line" absorbed £2,070,000, bringing the total cumulative deficit to £597,351,000 (£708,329,000 in 1952-53).

£'000	Estimate, 1953-54	April 1, 1952 to Oct. 18, 1952	April 1, 1953 to Oct. 17, 1953	Week ended Oct. 18, 1952	Week ended Oct. 17, 1953
Ord. Revenue					
Income Tax	1782,250	510,115	487,124	11,187	12,747
Sur-tax	127,000	36,700	35,800	1,100	1,100
Death Duties	160,000	87,500	88,700	3,000	3,400
Stamps	52,000	27,050	29,000	1,100	1,000
Profits Tax & E.P.T.	214,000	215,600	110,300	7,300	3,000
Excess Profits Levy	99,500	...	37,150	...	700
Special Contribution and other Inland Revenue	1,000	950	570	...	50
Total Inland Rev.	2435,750	869,015	783,644	23,687	21,997
Customs	1044,300	570,347	583,515	20,735	21,482
Excise	680,480	373,818	371,053	5,930	5,440
Total Customs and Excise	1724,780	944,165	954,568	26,565	26,922
Motor Duties	69,000	12,742	14,677	108	257
PO (net receipts)	2,645	...	...	...	...
Broadcast Licences	16,000	5,050	5,850	...	...
Sundry Loans	25,000	18,805	19,397	...	...
Miscellaneous	95,000	65,722	77,390	2,293	3,447
Total	4368,215	1915,500	1860,526	52,653	52,623
Ord. Expenditure					
Debt Interest	615,000	324,748	326,046	22,862	22,455
Payments to N. Ireland Exchequer	48,000	20,330	24,572	...	...
Other Cons. Fund	10,000	4,870	4,835	...	...
Supply Services	3586,286	1929,825	1823,072	80,600	66,909
Total	4259,286	2279,773	2178,575	103,693	89,355
Sinking Funds	...	17,852	18,826	409	600
"Above-line" Surplus or Deficit		-382,125	-336,875	-51450	-37332
"Below-line" Net Expenditure		326,204	260,476	15,813	2,070
Total Surplus or Deficit		-708,329	-597,351	-67293	-39402
Net Receipts from:					
Tax Reserve Certificates	81,316	157,899	1,461	1,743	
Savings Certificates	4,400	10,900	...	309	
Defence Bonds	36,125	31,216	1,074	2,787	

FLOATING DEBT (£ million)

Date	Treasury Bills		Ways and Means Advances		Total Floating Debt
	Tender	Tap	Public Depts.	Bank of England	
1952					
Oct. 18	4,348.1		283.0	...	4,631.1
1953					
July 18	3,200.0	1,464.0	263.5	0.4	4,928.3
" 25	3,220.0	1,469.0	249.7	3.3	4,942.0
Aug. 1	3,250.0	1,424.3	227.0	2.8	4,904.0
" 8	3,290.0	1,389.0	208.1	...	4,887.1
" 15	3,310.0	1,414.8	225.4	...	4,950.2
" 22	3,330.0	1,422.7	241.8	...	4,994.5
" 29	3,350.0	1,407.6	229.3	...	4,987.0
Sept. 5	3,370.0	1,414.0	219.2	...	5,003.2
" 12	3,400.0	1,395.8	251.7	...	5,047.5
" 19	3,430.0	1,382.1	280.0	...	5,092.2
" 30	4,803.1		275.4	...	5,078.5
Oct. 10	4,525.8	...	245.9	...	4,771.7
" 17	4,552.2		262.2	...	4,814.3

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

THE MONEY MARKET

THE whole of the £230 million of bills on offer were allotted at last week's Treasury bill tender. The market raised its bid by 2d., to £99 9s. 6d. per cent, at this tender; but, as total applications rose by £8.2 million to £367.7 million, its quota rose only from 49 to 51 per cent of its bid. The average rate of discount therefore fell by nearly 8d. to £2 1s. 11.57d. per cent, fully 6s. below that at the last tender before the reduction in Bank rate. At yesterday's tender, the offer was raised to £240 million.

Credit conditions in Lombard Street were easier in the week covered by Wednesday's Bank return. Only moderate special help was necessary on Thursday before the week-end, and on the following two days funds became plentiful and the authorities engaged in some reverse selling. On Monday the position was transformed by the market's lack of maturities (reflecting the heavy sales to the authorities earlier in the month to finance subscriptions to the new Exchequer Stock); considerable special help was necessary. But conditions improved once more in the middle of the week, and on Wednesday market funds were just adequate to meet demand. Following the fall of $\frac{1}{2}$ per cent in the Treasury bill rate last week, buying rates in the market dropped to $2\frac{1}{2}$ per cent for December and $2\frac{1}{8}$ per cent for January maturities.

The Bank return shows a return of £4.5 million of notes from active circulation. But Government securities in the banking department fell by £4.9 million; and, as £6.3 million was released from public accounts, bankers' deposits rose by £7.2 million to £292 million.

LONDON MONEY RATES

Bank rate (from 4% 17/9/53)	3½	Discount rates	%
Deposit rates (max)		Bank bills: 60 days	2½
Banks	1½	3 months	2½
Discount houses	1½	4 months	2½
		6 months	2½
Money —Day-to-day	1½-2½	Fine trade bills:	
Short periods	1½-2½	3 months	3½-4½
		4 months	3½-4½
		6 months	4-4½
Treas. bills 2 months	2½		
3 months	2½		

LONDON CLOSING EXCHANGE RATES

	Official Rates	Market Rates: Spot					
		Oct. 21	Oct. 15	Oct. 16	Oct. 17	Oct. 19	Oct. 20
United States \$	2.78-2.82	2.80½-2.80½	2.80½-2.80½	2.80½-2.80½	2.80½-2.80½	2.80½-2.80½	2.80½-2.80½
Canadian \$	2.76½-2.76½	2.76½-2.76½	2.76½-2.76½	2.76½-2.76½	2.76½-2.76½	2.76½-2.76½	2.76½-2.76½
French Fr.	972.65-987.35	981.981	981.981	981.981	981.981	981.981	981.981
Swiss Fr.	12.15½-12.33½	12.18½-12.18½	12.18½-12.18½	12.18½-12.18½	12.18½-12.18½	12.18½-12.18½	12.18½-12.18½
Belgian Fr.	138.95-141.05	140.05-140.15	140.10-140.20	140.10-140.20	140.10-140.20	140.10-140.20	140.10-140.20
Dutch Gld.	10.56-10.72	10.62½-10.63	10.62½-10.63	10.62½-10.63	10.62½-10.63	10.62½-10.63	10.62½-10.63
W. Ger. D-Mk.	11.67½-11.84½	11.69½-11.70½	11.70½-11.70½	11.70½-11.70½	11.70½-11.70½	11.70½-11.70½	11.70½-11.70½
Portuguese Esc.	79.90-81.10	79.90-80.00	79.90-80.00	79.90-80.00	79.90-80.00	79.90-80.00	79.90-80.00
Swedish Kr.	14.37½-14.59½	14.43½-14.43½	14.43½-14.43½	14.43½-14.43½	14.43½-14.43½	14.43½-14.43½	14.43½-14.43½
Danish Kr.	19.19½-19.48½	19.37½-19.37½	19.37½-19.37½	19.37½-19.37½	19.37½-19.37½	19.37½-19.37½	19.37½-19.37½
Norwegian Kr.	19.85-20.15	19.98½-19.98½	19.98½-19.98½	19.98½-19.98½	19.98½-19.98½	19.98½-19.98½	19.98½-19.98½
One Month Forward Rates							
United States \$	1c. pm-par	1c. pm-par	1c. pm-par	1c. pm-par	1c. pm-par	1c. pm-par	1c. pm-par
Canadian \$	Par-1c. dis	Par-1c. dis	Par-1c. dis	Par-1c. dis	Par-1c. dis	Par-1c. dis	Par-1c. dis
French Fr.	3.6 dis	3.6 dis	3.6 dis	3.6 dis	3.6 dis	3.6 dis	3.6 dis
Swiss Fr.	1c. pm-par	1c. pm-par	1c. pm-par	1c. pm-par	1c. pm-par	1c. pm-par	1c. pm-par
Belgian Fr.	1c. pm-par	1c. pm-par	1c. pm-par	1c. pm-par	1c. pm-par	1c. pm-par	1c. pm-par
Dutch Gld.	1½-1c. pm	1½-1c. pm	1½-1c. pm	1½-1c. pm	1½-1c. pm	1½-1c. pm	1½-1c. pm
W. Ger. D-Mk.	20 pm-20 dis	20 pm-20 dis	20 pm-20 dis	20 pm-20 dis	20 pm-20 dis	20 pm-20 dis	20 pm-20 dis
Portuguese Esc.	20 pm-20 dis	20 pm-20 dis	20 pm-20 dis	20 pm-20 dis	20 pm-20 dis	20 pm-20 dis	20 pm-20 dis
Swedish Kr.	20 pm-20 dis	20 pm-20 dis	20 pm-20 dis	20 pm-20 dis	20 pm-20 dis	20 pm-20 dis	20 pm-20 dis
Danish Kr.	20 pm-20 dis	20 pm-20 dis	20 pm-20 dis	20 pm-20 dis	20 pm-20 dis	20 pm-20 dis	20 pm-20 dis
Norwegian Kr.	20 pm-20 dis	20 pm-20 dis	20 pm-20 dis	20 pm-20 dis	20 pm-20 dis	20 pm-20 dis	20 pm-20 dis

BANK OF ENGLAND RETURNS (£ million)

	1952	1953	
	Oct. 22	Oct. 14	Oct. 21
Issue Department:			
Notes in circulation	1,443.5	1,533.3	1,530.8
Notes in banking dept.	56.9	40.1	44.5
Govt. debt and securities	1,496.8	1,571.7	1,571.8
Other securities	0.7	0.7	0.7
Gold coin and bullion	2.9	2.9	2.9
Banking Department:			
Deposits	9.9	16.3	10.0
Public accounts	24.2	17.6	17.6
Treasury special account	278.1	281.8	292.0
Bankers	64.5	68.8	68.0
Others	379.7	387.5	387.6
Securities:			
Government	315.2	338.9	334.0
Discounts and advances	6.5	9.0	9.6
Other	11.3	14.8	14.9
Total	336.0	362.7	368.5
Banking department reserve	58.5	42.5	47.0
"Proportion"	15.5	10.9	12.1

* Government debt is £11,015,100, capital £14,553,000. Fiduciary issue reduced from £1,625 million to £1,575 million on August 26 1953.

TREASURY BILLS

Date of Tender	Amount (£ million)			Average Rate of Allotment s. d.	Allotted at Max. Rate %
	Offered	Applied For	Allotted		
1952					
Oct. 17	220.0	315.8	220.0	48 4.14	64
1953					
June 12	270.0	353.1	270.0	47 4.25	69
" 19	270.0	360.1	270.0	47 4.22	66
" 26	250.0	327.4	250.0	47 3.75	66
July 3	250.0	334.1	250.0	46 8.48	75
" 10	260.0	353.4	260.0	47 3.47	63
" 17	250.0	385.7	250.0	47 3.60	48
" 24	240.0	375.6	240.0	46 11.89	55
" 31	250.0	395.5	250.0	46 11.66	43
Aug 7	260.0	369.6	260.0	47 3.50	56
" 14	270.0	347.9	270.0	47 4.37	71
" 21	270.0	358.2	270.0	47 4.25	67
" 28	280.0	370.2	280.0	46 8.25	77
Sept. 4	300.0	394.6	300.0	47 7.43	66
" 11	300.0	388.0	300.0	47 11.85	68
" 18	280.0	340.6	280.0	43 0.06	80
" 25	270.0	362.2	270.0	42 8.05	70
Oct. 2	280.0	348.2	250.0	42 8.09	63
" 9	250.0	359.5	230.0	42 7.35	47
" 16	230.0	367.7	230.0	41 11.57	51

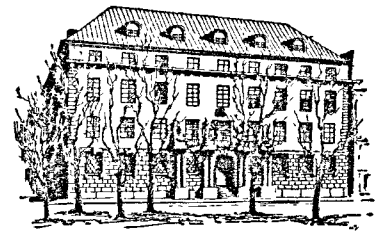
* On Oct. 16th tenders for 91 day bills at £99 9s. 6d. secured about 51 per cent of the sum applied for; higher tenders were allotted in full. The offering yesterday was for a maximum amount of £240 million.



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BLYVOORUITZICHT GOLD MINING COMPANY, LTD.

(Incorporated in the Union of South Africa)

Extracted from the Annual Report for the Year ended 30th June, 1953.
AUTHORISED CAPITAL £3,300,000
ISSUED CAPITAL (24,000,000 Shares of 2/6 each) £3,000,000

Tonnage milled, 1,219,000.

Working Revenue	£9,322,962	Per ton milled, £7 13 0
Working Expenditure	2,960,476	2 8 7
Working Profit	£6,362,486	£5 4 5
Net Profit from Uranium (subject to adjustment)	21,710	

Total	£6,384,196	
Total Profit for the year	£6,425,631	
Balance unappropriated at 30th June, 1952	1,252,788	
Forfeited Dividends	165	
	£7,678,584	

This amount has been dealt with as follows:-	
Taxation	£2,388,663
Mineral Lease Consideration	530,107
	2,918,770

Dividends declared during the year—No. 14 of 1s. 6d. per share and No. 15 of 1s. 4d. per share	3,400,000
--	-----------

Leaving a balance unappropriated of £1,359,814

The Ore Reserve was re-estimated as at 30th June, 1953, as follows:-

Reel	Available			Shaft and Safety Pillars			Total		
	Tons	Value, Dwt.	Width, In.	Tons	Value, Dwt.	Width, In.	Tons	Value, Dwt.	Width, In.
Carbon Leader	6,515,000	12.3	46.5	1,948,000	12.9	45.6	6,864,000	12.4	46.3

Compared with the previous year the available reserve decreased by 12,000 tons, the value was 0.2 dwt. per ton lower and the stope width 0.1 inch greater. The unavailable tonnage increased by 99,000 tons, the value was 0.3 dwt. per ton higher, and the stope width unchanged. The uranium plant was brought into operation during the last quarter of the year, but due to initial plant difficulties and consequent adjustments, the output was seriously restricted. The Full Report and Accounts may be obtained from the London Secretaries, A. MOIR

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The Economist, August 15, 1953.

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COMPANY MEETINGS

JAMES HOWDEN & COMPANY, LIMITED

(Boiler Auxiliary and General Engineers)

GRATIFYING RESULTS

ORDER BOOK WELL MAINTAINED

MR CRAWFORD W. HUME ON INADEQUACY OF STEEL SUPPLIES

The forty-seventh annual general meeting of James Howden & Company, Limited, was held on October 16th, at 195, Scotland Street, Glasgow, Mr Crawford W. Hume, MINA (the chairman), presiding.

The secretary (Mr John D. Young, CA) 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:

The accounts for the year ended April 30, 1953, are in the usual form apart from some modifications necessary in view of the acquisition and formation of subsidiary and associated companies here and in South Africa and Australia. They show a clear picture of the position at that date and a gratifying profit after taxation for the parent company of £255,180, and for the group as a whole of £316,982.

Provisions have been made for taxation for the year, amounting in the case of the parent company to £451,155. These cover a reserve for income tax on profits for the year due in 1954-55 as well as a provision for profits tax and excess profits levy for the year ended April 30th last.

HEAVY BURDEN OF TAXATION

The present rates of taxation remain very high and are quite out of proportion to the balance of the profits left for extensions and the replacement of machinery and other assets, for the provision of pensions and for the payment of dividends. In the case of expanding businesses such as ours the incidence of the excess profits levy is a particular hardship and it is gratifying to know that it comes to an end next December. It is to be hoped also that circumstances will soon allow substantial economies in the administration of the country to be made, thus producing some alleviation of the heavy burden on industry.

The general reserve account of the parent company has been increased to £910,000 by transfer of £160,000, and that of the group to £965,152 by transfer of £205,152. After making the appropriations shown in the directors' report and providing for the dividend, the balance to be carried forward amounts to £61,801, compared with £56,711 the year before. The carry-forward of the group is £87,954.

NEW ACQUISITION

In addition to the South African company mentioned last year, James Howden & Company Australia Pty., Limited, has been formed in Melbourne, and a majority interest has been acquired in Safanco, Limited, a company in South Africa with a modern plant and facilities for the manufacture of our products as well as their own, which are complementary to ours. Since our interests in this company were acquired about a year ago it has shown satisfactory results and I

believe that each of these developments will contribute to the prosperity of our group.

Our main works have had a busy year although the production was not quite so high as in the previous record year. As was forecast in my remarks last year, considerable delays in obtaining adequate supplies of steel plates impeded production and a shortage of skilled men had a retarding effect. The improved output of steel ingots at home is not likely to affect the plate position to any great extent before the end of 1953 because of the continued deficiency in the productive capacity of the steel plate mills. To overcome this, however, we have taken vigorous steps to supplement our supplies by buying overseas and we have thus been able to augment to some extent the stocks of material. The indications are that from now on the position, although still far from satisfactory, will improve steadily, but the manpower difficulty remains.

WORKS EXTENSION

The extension to our main works which I mentioned last year has made good progress and will shortly be in use. This extension, which will be used mainly for the heavier and more bulky products, will give much needed space and will facilitate the manufacture of the plate work which needs ample space for efficient production.

The developments at our Maclellan Street factory have followed the anticipated course and the output of aircraft components now forms a considerable proportion of the production.

The output from the Craigton factory continues to be good and the support which it provides for the main works in the supply of equipment involving repetition work, and also of other components, is of first-rate importance.

The order book was well maintained during the year and is now slightly greater than it was at the end of the previous year, so that we are in the fortunate position of having in hand sufficient work to maintain full employment of our factories. The proportion of direct or indirect exports still remains about one-third of the total.

IMPORTANCE OF AMPLE POWER SUPPLY

The industries of this country, supplying exports and agricultural goods on which depends our food, supplying armaments on which depends our safety, supplying domestic goods and public services on which depend our comfort and health, are all supported to a greater or less degree by engineering products and services. All these industries and the engineering industry itself are dependent on ample supplies of power, and in this respect we have a long way to go in the United Kingdom as compared with the USA, Sweden and Switzerland, which are all much more power-conscious. In these three countries the annual consumptions of electric power per head of the population in 1951 were respectively 2,820 kw hours, 2,750 kw

hours and 2,480 kw hours. Here it was only 1,430 kw hours. As a nation we have obviously considerable leeway to make up and this company should continue to benefit by the inevitable developments and extensions in the field of power production.

DIRECTORATE

During the year under review Mr Douglas S. Macfarlane has been co-opted to the board. Mr Macfarlane has been in the company's employment for some 20 years and has a wide knowledge of its activities and its relations with its customers, which is of great value. The board would like to take this opportunity of formally welcoming him and commending him to the stockholders.

On your behalf I should like to thank all the administrative and executive staff and all the workpeople for their helpful, friendly and loyal services throughout the year.

The report and accounts were unanimously adopted and the final dividend of 22½ per cent, making 30 per cent for the year, was approved.

The retiring directors, Sir John Craik Henderson, Mr Henry L. Paul and Mr Douglas S. Macfarlane, were re-elected, and the remuneration of the auditors, Messrs William Hart, Junior, and Wilson, CA, having been duly fixed, the proceedings terminated.

ALLEN HARVEY & ROSS, LIMITED

A SUCCESSFUL YEAR

MR G. M. B. PORTMAN'S STATEMENT

The tenth annual general meeting of Allen Harvey & Ross, Limited, will be held on November 11th at the offices of the company, 52, Cornhill, London, E.C.

The following is the statement of the chairman, Mr G. M. B. Portman, which has been circulated with the report and accounts: The company's balance sheet as at September 30, 1953, together with the profit and loss account, is now before you for your consideration and adoption.

SATISFACTORY RUNNING MARGINS

Your company has experienced a successful year undisturbed, until almost the close, by any changes in money rates or the policy of the authorities, and so there have been earned satisfactory running margins on the bills and short dated bonds carried by the company against a supply of call money evenly maintained. Sufficient profit has been earned to add substantially to the inner reserves of the company and to increase the carried forward balance on profit and loss account in addition to an appropriation of £25,000 to general reserve.

The recent reduction in bank rate and the adoption by the Bank of England, after many years of a rigid structure of rates, of a policy of more freedom and flexibility seem to forecast for the time being a tendency towards narrower margins; however there may be a prospect of healthy opportunities for competitive activities once again. It seems evident that rates in future will be changing far more frequently in accordance with events than has been the way in the City of London for nearly a generation.

Of the investments held on September 30th the maximum life was 2½ years and the average one year and 10 months.

INTAKE OF TREASURY BILLS

The company's intake of Treasury bills over the year rose by 9.4 per cent from £305 million to £334½ million, but the purchases of commercial bills decreased from £44 million to £25½ million, that is, by 42 per cent. Such a rapid decline common to the whole market had started during the previous year and continued until March, 1953, but the pace of the decline slackened during the latter six months. Although there are today, since the reduction of rates in September, some hopeful signs of a revival of the use of the acceptance credit system, the present overall cost of this traditional method of finance is still high in relation to its alternatives. However, there should now be grounds for discount companies to hope that during the gradual process of evolving the convertibility of sterling the "Bill on London" will regain its universal use.

We welcome our relations with several recently opened overseas banks in London; their establishment indicates a renewal of world confidence in sterling and in the City of London.

CAPITALISATION OF RESERVE

Your directors recommend the capitalisation of £50,000 hitherto shown in the share premium reserve in order to "tidy up" the balance sheet and to bring the issued capital up to the round £1 million; at the same stage it would seem to be convenient to increase the authorised capital to an amount greater than is at present needed against possible future requirements and fresh circumstances.

The directors also recommend that in future the company's year shall close on April 5th, a more suitable date than September 30th. Your directors desire to express, on your behalf, gratitude for the energetic and loyal work of the company's staff.

LEWIS BERGER & SONS

IMPROVING OUTLOOK

The seventy-fourth annual general meeting of Lewis Berger & Sons Limited, was held on August 11th, in London, Mr Thomas Lilley, chairman of the company, presiding.

The following is an extract from his statement, which was circulated:

Berger paints were first made in London in 1760 and now Lewis Berger & Sons Limited, is the holding company of a group of 37 companies operating 20 factories. The group thus covers the Commonwealth territories, France, Eire, and the international scope of its activities is extended by technical and selling links with manufacturers on the Continent of Europe and with the Sherwin-Williams Company in the Americas.

I explained in my review last year that particular restricting conditions which applied early in 1952 had continued into the year ended March 31, 1953. Events proved that these conditions seriously affected the group's paint trading during the majority of the year and it was not until the final months that a material improvement was evidenced.

The group profit after taxation reflects the difficult trading conditions of the year ended March 31, 1953, and amount to £212,152 compared with £420,010 for the preceding year.

As compensation for the reduction in the ordinary dividend declared this year out of trading profits, the directors propose a distribution of 5 per cent on the ordinary stock to be made out of capital profits. The opening months of this financial year have provided encouraging results.

The report was adopted.

RANSOME & MARIES
BEARING COMPANY,
LIMITED

BETTER TURNOVER

The thirty-seventh annual general meeting of this company was held on October 16th at Newark, Mr E. W. Senior (the chairman) presiding.

The following is an extract from his circulated remarks on the year ended June 30, 1953:

Recognising that trading conditions in world markets became more difficult during the year, not only for us but for our customers, wage increases granted in the engineering industry were not passed on. Consequently in spite of a better turnover made possible by increased productivity the trading profits of the group were £57,287 lower, at £1,018,371.

In the current year, just over £500,000 has been spent on plant and in consequence the amount provided for depreciation has been substantially increased to £257,151.

After taxation and other charges, the net profit of the group is £332,430, of which £301,928 is transferred to the appropriation account of the holding company.

DIVIDEND AND BONUS

The directors recommend that the amount available for appropriation should be dealt with by making the same final distribution as last year, viz., a dividend of 12½ per cent and a bonus of 5 per cent, absorbing £96,250 and by carrying £100,000 to general reserve, £10,000 to special pension fund trustees, £3,000 directors' remuneration under Article 93, and increasing the carry forward by £53,303 to £261,836.

The consolidated balance sheet shows a surplus of liquid assets of £2,686,357, and whilst cash and tax reserve certificates are reduced, there has been an increase of £296,153 in fixed assets, and in stocks and debtors £431,175. The factory at Annfield Plain started production towards the end of the year, and will, it is hoped, build up to full output during the current year.

There is no doubt that from the outbreak of the Korean War, industry was endeavouring to ensure its future supplies by building up stocks, possibly overscheduling requirements, and placing long-term orders. During the year under review the tendency has been reversed, with a resulting lower order book, but a much more realistic position.

THE OUTLOOK

Forecasting the future is always difficult and the present time is no exception; our interests are intimately associated with those of the engineering industry where activity continues on a relatively high level, although profit margins tend to become smaller. Export business, with its many restrictions and increasing competition, remains difficult, but, despite that, we had a small increase in the past year. Practically every country is striving to increase its exports. Management through better equipment and organisation, such as your company has carried out over the past years, is playing its part, but any increase in wages without at least a corresponding increase in productivity will make it impossible to obtain the full benefit of these efforts to increase our export trade. All our factories continue to be fully employed and your board is confident that the policy it has adopted of steady expansion and re-equipment is in the best interests of shareholders, customers and workpeople.

The report and accounts were adopted.

POWELL DUFFRYN
LIMITED

CHAIRMAN'S STATEMENT

The annual accounts to March 31, 1953, were presented at the Annual General Meeting, held on October 21st. The following is an extract of the statement of the Chairman, Sir Herbert Merrett:

Expansion of activities and many changes have occurred since our properties were nationalised. We have not been entirely successful in everything we have attempted but, engaged as we are in many businesses in all parts of the world, we must be satisfied if on balance we make progress and satisfactory profits.

In an attempt to hasten proceedings under the Coal Industry Nationalisation Act, I have been in constant touch with the Coal Board regarding an investigation of the many items of our claims which are outstanding, and I am pleased to inform you that several of these have been settled.

Owing to unavoidable delays in completion of the refinery at Coryton, we have received no income from our substantial investment in Vacuum Oil Company Limited during the year under review. Neither can we expect any revenue from this source in the current year. I do, however, look to this investment producing a steady income in future years. In the words of our partners, Socony-Vacuum Oil Company, Inc., of New York, who rank amongst the largest oil refiners in the world, Coryton is a thoroughly sound venture, well conceived and planned, with every promise of satisfactorily rewarding its owners.

By mutual consent of all parties concerned, including the Government of Southern Rhodesia, we transferred our interests in the Wankie Colliery Company Limited, and in Powell Duffryn (Rhodesia) Limited, to the Anglo American Corporation of South Africa Limited, the total consideration being the allocation of ordinary shares in Rhodesian Anglo American Limited, of a market value of approximately £750,000. The outcome should be a substantial increase in the value of our investment in the Rhodesias and a much higher current income.

Stephenson Clarke Limited, together with its subsidiaries, and more particularly Associated Coal and Wharf Companies Limited, has again earned a satisfactory revenue.

The business of Cory Brothers and Company Limited continues to thrive despite the fact that because of the wide area of its activities, it meets the full blast of overseas financial upheaval and instability. The Oil Bunkering and Storage Department is doing well and further progress has been made in the Timber Department through our Swedish company.

Cambrian Wagon and Engineering Company Limited has in hand a contract for steel mineral wagons which will keep the Wagon Shop in full employment for the next five years.

Powell Duffryn Technical Services Limited calls for no capital investment other than working capital, and its earnings so far have been satisfactory. Its employment is widespread and varied, and negotiations for the use of its services in new fields continue with interesting possibilities.

The results of the Group as a whole justify a repetition of the same dividend as has been paid in previous years. While the dividend now proposed encroaches slightly on the carry forward of the Parent Company, the carry forward in the consolidated accounts is actually increased.

The report and accounts were adopted.

BRITISH OVERSEAS
STORES LIMITED

The thirty-second annual general meeting of this company was held on October 16th in London, Mr R. J. Blackadder, MC, CA (the chairman), presiding.

The following is an extract from his circulated statement for the year ended March 31, 1953:

The accounts now before you show a substantial falling off in profit compared with that of last year, but you will recall that when I last addressed you I pointed out that we had experienced boom conditions throughout the greater part of the year and that we could not hope to repeat the figures in the year under review.

The period covered by the accounts has been one of considerable difficulty. Last year I drew attention to the severe restrictions on imports imposed by the Governments of Australia and New Zealand. These restrictions operated throughout the year with the result that the activities of our subsidiaries in London and New Zealand were drastically curtailed. In Jamaica also trade was seriously affected by the fall in prices.

The cumulative effect of the restriction on

imports and falling prices is reflected in the accounts now before you, but, in spite of this setback, we have sufficient confidence in the future to justify the maintenance of the dividend at 10 per cent, the same rate that has been paid for a number of years.

You will expect me to be in a position to give some forecast of the probable results for the year. Under conditions prevailing I am satisfied that the results for 1953-54 may be expected to show an improvement.

The report and accounts were adopted.

KUALA MUDA RUBBER
ESTATES, LIMITED

A SATISFACTORY RESULT

The twenty-eighth annual general meeting of this company was held on October 16th in London, Mr L. I. Simpson, ACA, chairman, presiding.

The following are extracts from his circulated statement for the year ended March 31, 1953:

The profit for the year, before providing for taxation, amounted to £103,694, as compared with £211,397 for the previous year, a

result which I feel may be considered satisfactory in view of the substantial fall in the price of rubber.

I informed you in my remarks last year that we had, in conjunction with two other Malayan companies, decided to plant up rubber in Nigeria. This decision has now resulted in the formation of the Oban (Nigeria) Rubber Estates, Limited, a company with a capital of £800,000, in which we and the other two Malayan companies are associated with the Nigerian Eastern Regional Production Development Board.

We have again turned out almost the whole of our output in the form of concentrated latex under the trade name of Lacentex, a large quantity of which was sold to America. The market has at times been difficult, but the fall in the price of rubber has greatly increased the sale of foam rubber. In addition, our latex has become well known and we have established a considerable goodwill.

The present price of our commodity makes it very difficult for many companies to cover all their outgoings, but I am glad to say that owing to the goodwill which we have built up the premium we obtain for our latex enables us to make ends meet and show a profit at today's price.

The report was adopted.

Marketing Abroad

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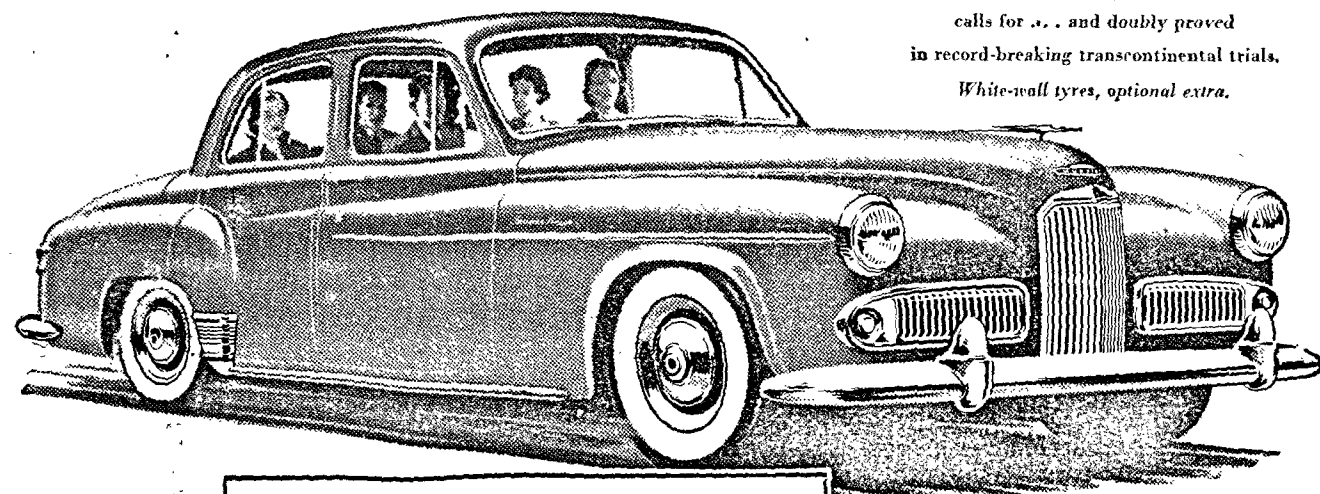
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| Including Kenya, Tanganyika, | 31 MEXICO |
| Uganda and Zanzibar | 32 NETHERLANDS |
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| Including Gambia, Gold Coast, | 34 NORWAY |
| Nigeria and Sierra Leone | 35 PAKISTAN |
| 10* CONTINENTAL S.E. ASIA | 36* PERU |
| Including Burma, Indo-China | BOLIVIA |
| and Thailand (Siam) | ECUADOR |
| 11 CANADA | 37* PERSIAN GULF STATES |
| 12 CEYLON | Including Persia, Bahrain, Iraq, |
| 13* CENTRAL AMERICA | Kuwait, Saudi Arabia and |
| Including Costa Rica, Guatemala, | Trucial Coast |
| Honduras, Nicaragua, Panama | 38 PHILIPPINES |
| and Salvador | 39 PORTUGAL |
| 14 CHILE | 40 SPAIN |
| 15* CHINA | 41 SWEDEN |
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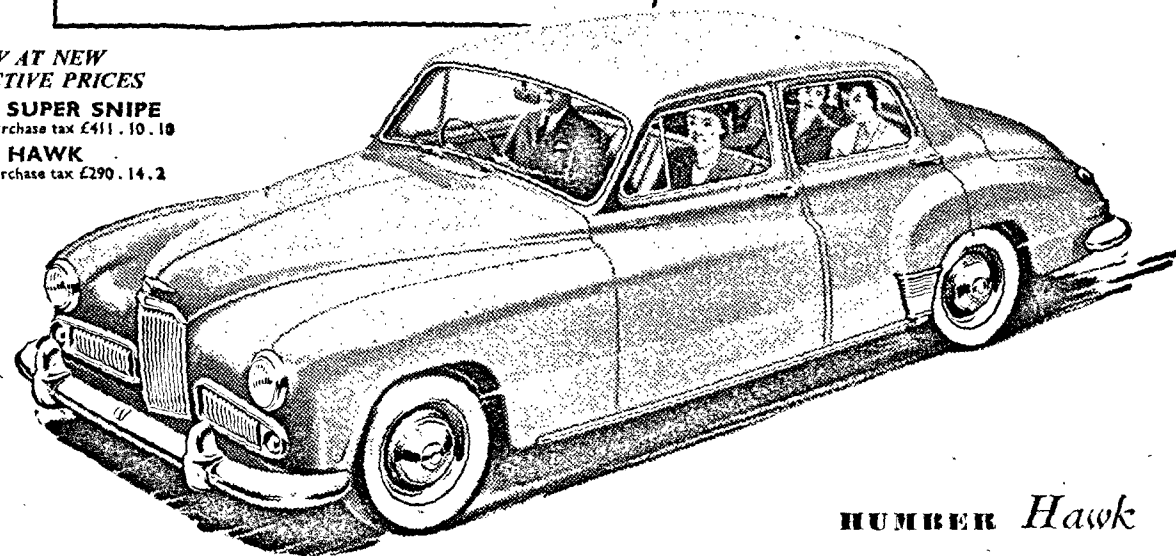


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British Motors and their Markets

THE PROGRESS OF DESIGN
FIVE MILLION IN FIVE YEARS?
HOLDING THE AMERICAN MARKET

Current Cars
V Engines
Disc Brakes

Diesel Engines for Cars
Engines: Front or Back?
Terms for Trade-Ins

The Progress of Design

MOTORISTS may sometimes wonder whether the treasure and talent devoted by the manufacturers to design and development yield a commensurate dividend to the purchaser. As a given model develops over the years, it is often apparent that the addition of features called for by the sales organisation results in a steady increase in weight; all that the back-room boys do, by technical improvement to enhance performance, or by manufacturing improvements to reduce cost, is then jeopardised by features of questionable value to the customer. But there are occasions when new models show a decisive advance on the old. To set the new Ford Prefect and Anglia, the new Standard Eight and the Armstrong Siddeley Sapphire against their respective predecessors demonstrates the solid advantage for the motorist that results from the industry's unending development work.

In the Standard Eight, the significant difference compared with its prewar namesake is the reduction of almost 2 cwt, say one-eighth, in weight, a reduction which should give about the same proportionate reduction in the manufacturing cost. The new Standard has a smaller engine, of more efficient character and turning at a higher speed, but still giving significantly less power. The vehicle gives very slightly more passenger accommodation; covered luggage accommodation is greater, but has to be reached by lowering the back seats, instead of through an outside lid. In total, the customer is given practically the same amount of the things he wants when he buys a motor car, at a real cost which should be seven-eighths of that of the 1938 Standard Eight.

The progress shown from the Siddeley Special of 1934 to the current Armstrong Siddeley Sapphire is of a different order. The Siddeley Special in its day could not have been called the most distinguished of automobiles. The cylinder block and crankcase were expensively cast in aluminium alloy, yet the total weight of the car was surprisingly great; and the performance, having regard to the size and cost of the engine, was by no means remarkable. The new Sapphire, on the other hand, is far ahead of the average of today, as the Siddeley Special lagged behind its contemporaries. The capacity of the Sapphire's engine is 30 per cent less and its weight probably 25 per cent less than that of the Siddeley Special. The total weight of the Sapphire is almost a quarter less, and it is a substantially roomier car than its predecessor. The Sapphire gives an improvement in performance which is by no means exaggerated by the difference in the figures shown in the table; on the open road it will cruise at 75 mph with greater ease, and with more feeling of a margin in hand, than its predecessor at 55 mph. Thus the customer is offered a much roomier motor car (though a more compact one) with a much better performance, much more comfortably achieved, at a real cost which is probably under rather than over 75 per cent of that of its predecessor.

Comparison of the new Prefect (the four-door version of the new Ford models) and of the new Anglia (a two-door and rather less soignée version of the same basic car) shows an advance over the former Prefect which is scarcely less sensational, and probably more significant, because vastly greater manufacturing potentialities are at Ford's disposal.

The passenger accommodation is slightly greater than in the old Prefect, and the luggage accommodation a good deal more generous. There is a reduction of fully one-eighth in the total weight of the new Anglia and of over 10 per cent in the new Prefect. Both models have the same engine of the same dimensions as in the old Prefect; but it has been substantially redesigned to give a marked improvement in performance; and the new Anglia offers a prospective saving in fuel of perhaps 10 per cent to those drivers who do not require the highest performance of which the car is capable.

These almost identical twins from Dagenham are so important in their potential sales appeal that they justify close analysis. The common body dimensions afford slightly more room all round. None of the more essential amenities has been omitted; indeed, the Prefect, and in some respects the Anglia also, is certainly better equipped than its predecessor. Since it must have been in the body rather than in the working parts that weight has been saved in the two cars, the designers must be credited with a remarkable achievement. The engine is a side-valve unit of 63½ mm bore and 92½ mm stroke like its predecessor. It shows a close resemblance to the engine of the German Ford of the same capacity—the Taunus—which develops a little more power. The bore/stroke ratio is, for these days, unusually low; and the retention of side valves may seem a little old fashioned. On this, the views of Mr. E. S. Macpherson, now the technical head of the parent Ford Company, given in a paper last year, are interesting; he has said that "Ford does not consider the L-head engine (that is, the side-valve engine) obsolete, and will not con-

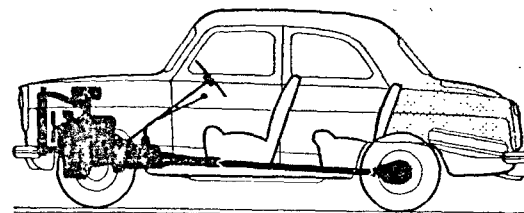
sider it so for several years. But looking to the future, and considering the fuels that probably will be available eight or ten years from now, it is likely that the overhead valve engine will give far better performance than the L-head type."

Despite the changes in its design, the new engine, with the same dimensions and valve disposition as before, can probably be manufactured on the same machine tools as the old, at the cost of a moderate investment only in ancillary equipment. It seems reasonable to deduce that the present engine will enable the old machine tools to work out the remainder of their lives; and that in due course it may be superseded—with the prospect of substantial savings in cost using modern machine tools. Its successor might well have overhead valves; and a bore/stroke ratio rather closer to the 1.08 of the Zephyr and Consul engines than the .69 of this engine. No doubt the Ford Company will wait to assess exactly the sales appeal of the new Prefect and Anglia—and above all the components of that sales appeal—before deciding how to exploit the advances that modern technique makes possible. The choice is likely to be between an engine of similar capacity, with overhead valves and a small reduction in weight and cost—which could be expected to give an enhanced performance rather out of scale with these two cars—or a smaller engine, with a greater saving of weight and cost and no more than the already ample performance.

As they stand, these new Ford models should prove to have great sales appeal and, indeed, to offer severe competition with the Volkswagen, with which comparison is inevitable. The estimate of a maximum speed of 70

mph for the Anglia and a mile or two less for the Prefect is based on a comparison of engine power and thrust with the Ford Consul, which has a maximum speed of 72 mph. The Anglia will, on the figures, have greater power in hand than the Consul at 50-60 mph, and may even equal the Consul's maximum. It will certainly be a good deal faster than the Volkswagen, with 8-10 mph better maximum, and appreciably better top-gear acceleration—all this at the cost of slightly higher fuel consumption, and perhaps a slightly shorter life between major overhauls or engine replacement. The accommodation offered will compare not unfavourably with the Volkswagen, and with a water-cooled engine against the Volkswagen's air-cooled engine, the reduction of noise and greater refinement of running should

PROFILE OF FORD'S NEW ANGLIA AND NEW PREFECT



These are the same basic cars, the Anglia having two doors.

certainly be noticeable. The weight of the Volkswagen is between that of the Anglia (14½ cwt) and the Prefect (15 cwt); the manufacturing cost of the Volkswagen—which in certain details shows that economy of man-hours was not a paramount consideration in its design—might, in parallel conditions, be above rather than below that of either of the Fords.

The Volkswagen was, of course, designed nearly twenty years before these cars; and it was intended primarily for its home market rather than as a competitor in world markets. It is, indeed, in several major respects an unorthodox design—in its suspension, in the rear location of its engine, and its use of an air-cooled horizontally opposed engine. The unorthodoxy of its suspension seems to have yielded neither gain nor loss; the rear location to have paid a useful dividend; air cooling to have saved weight, at a sacrifice of refinement which must be counted a disadvantage; and the opposed position of the cylinders (which, with water cooling, would have been uneconomic) to have paid. But a further unorthodoxy is the restriction of effective engine speed by the limitation of engine power in the upper range of speeds, which must be attributed to the limited breathing of the small inlet manifold. Maximum output of 26 bhp, therefore, is given at 3,300 rpm, whereas the Ford engine, of less than 4 per cent greater displacement, and with cheaper valve mechanism, gives 36 bhp at 4,400 rpm. In other words, the Volkswagen disposes of power which might have been given by an engine with conventional breathing having 25 per cent less displacement, and probably 20 per cent less weight and cost. It is hard to believe that the saving in maintenance—due to the easier life enjoyed by the engine—alone justifies these disadvantages.

A designer may be led to exaggerate one particular aspect of design or to go far outside the conventionally accepted limits of design; but he does so at his peril when

his competitors are as astute as he is and backed with similar resources. He may succeed in showing that accepted standards do not deserve the respect they enjoy; or he may discover a new optimum, neither much better nor much worse than those generally accepted, though in a field so well worked over as that of engine speeds this is as probable as the discovery of another peak to match Everest. But he is also quite as likely to incur failure, or to discover that the advantages which his more fortunate innovations provide may be nullified or reduced. So it seems to be with the design of the Volkswagen. A competitor had two opportunities to better it. He could get better performance by allowing the engine to breathe more freely, getting more power from a similar capacity and weight at some expense of engine life. Secondly, he could, with water cooling, obtain greater refinement for a modest penalty of weight and cost. Ford have taken advantage of both openings. They have, furthermore, saved the weight penalty—no doubt partly by indefatigable testing of each component until the last superfluous ounce is eliminated.

In 1946 the British motor industry rejected the opportunity to take over the Volkswagen plant and designs. The design, they declared, was already more than twelve years old, and as soon as British design offices got into their post-war stride, they would do better than the Volkswagen. It has taken long to redeem that pledge; if the new Fords prove to have done so, the gratification at their achievement will not be lessened because some of the medals have to go to Detroit.

The new Ford Popular announced on Monday is the old Ford 8, with the old Ford 10 engine installed, and slightly de-frilled. This engine is, as far as outside dimensions go, practically interchangeable with the 8 hp 933 cc Ford 8 or Anglia engine; and the larger engine was for some years substituted in the export version of the Ford Anglia. As a technical product, this is not a car to get excited about; it is just a thoroughly serviceable small car—not of serviceability expressed as a *chef d'oeuvre* of engineering genius such as the 2 cv Citroen, but nevertheless with much work in it—comparable with a humdrum housemaid "a long time in her last place" of which Bernard Shaw said the world had greater need than of geniuses. But the price of £275 or 40½d. per lb is certainly remarkable and gives the model market leadership at the bottom of the price scale.

It is a little difficult to see exactly how this product is fitted in to the manufacturing policy at Dagenham as interpreted above. But undoubtedly this has been contrived and on a thoroughly economic basis. With the new Ford Zodiac to add glamour at the top end of the price scale, the Ford Company now has a range of products to cover the requirements of practically all motorists (outside "the fancy") that most other manufacturers on this side of the Atlantic will regard with admiration and envy.

For many of the figures of technical performance in the tables of this survey, acknowledgment is made to *The Motor* in whose invaluable road tests they were established. The profile drawings of the cars illustrating these articles also owe much to *The Motor's* original work.

COMPARISON OF 1954 MODELS WITH THEIR PREDECESSORS

Maker	STANDARD		FORD						ARMSTRONG SIDDELEY	
	Eight		Eight (Anglia)	Popular	Ten	Prefect	New Anglia	New Prefect	Siddeley Special Sports Saloon	Two Car-burettor Sapphire
	1938	1954	1938	1954	1937	1948	1954	1954	1934	1954
Kerb weight (cwt)	15½	13½	14½	14.6	16½	16½	14½	15	42	32½
Fuel consumption in m.p.g.:—										
Average of 30/40/50 m.p.h.	...	46	50.5	(36.6)	...	40.5	(45)	(43)	...	25.8
Average on road test	43	43	36.2	(30.7)	33	33.8	...	...	12-15	18.7
Maximum speed m.p.h. Level	61	61.3	57.2	(53.2)	62.5	62.1	(70)	(68)	87.4	100.1
(1 in 20 gradient)	...	48	37.0	(45)	...	43	(52)	(47)	...	83
Maximum gradient in top gear, 1 in	12.0	14.9	16.6	(12½)	10	12½	...	...	...	7.6
Acceleration (seconds):—										
10-30 m.p.h. in top	11.8	15.7	13.5	(11.8)	(10)	13.9	...	...	11.4	8.5
0-50 m.p.h. through gears	22.0	26.5	38.3	(26.3)	23.0	26.9	...	...	14	8.9
Engine:—										
Cubic capacity (c.c.'s)	1,021	803	933	1,172	1,172	1,172	1,172	1,172	4,960	3,435
B.H.P.	31	26	23.4	30.1	30	30.1	36	36	...	150
At r.p.m. (1,000)	4.0	4.5	4.0	4.0	4.0	4.0	4.4	4.4	...	5.0
Dimensions (inches):—										
Panel to rear squab	57	59	63	63	58	60	61	61	(63)	68
Width:—Front seat	2 x 18	48	43	43	...	43	47	47	45	54
Rear seat	47	47	39	39	39½	45	48	48	45½	54
Seat to roof:—Front seat	36	38	37½	37½	36	37	36½	36½	36½	32
Rear seat	35	35	36	36	36	34½	34	34	32	32
Wheelbase	6' 11"	7' 0"	7' 6"	7' 6"	7' 10"	7' 10"	7' 3"	7' 3"	11' 0"	9' 6"
Overall length	11' 11"	11' 10½"	12' 10"	12' 8½"	13' 0"	13' 0"	12' 7½"	12' 7½"	16' 9"	16' 1"

(Figures in brackets are partly estimated and cannot be fully authenticated)

VAUXHALL GOLDEN JUBILEE • 1903 TO 1953

CURRENT CARS

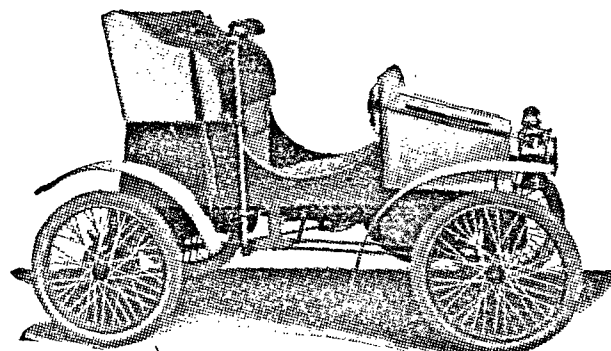
Comparative Prices and Performance

Note: This list is arranged in descending order of kerb weight.

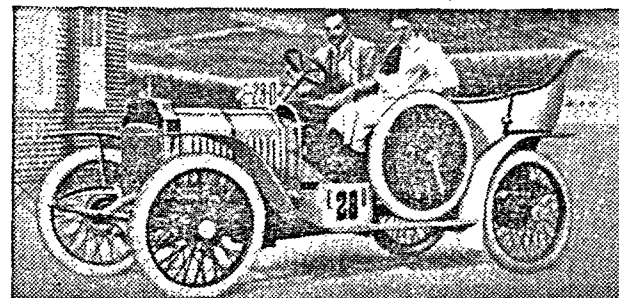
	Kerb weight cwt.	Price (excluding P.T.)		Fuel Consumption		Maximum Speed		Max. Gradient in top gear	Acceleration		Engine			Dimensions (inches)			Length	
		£ or currency	d. per lb.	Standard*	Road test by "The Motor"	Level	On 1 in 20 gradient		Top gear 10-30 m.p.h.	Through gears 0-50 m.p.h.	Capacity (c.c.)	BHP	At '000 revs. per min.	Panel to rear squab	Width, front seat	Front seat to roof	Wheel-base	Overall
Humber Pullman.....	42½	1,395	70.3	22.2	16.5	82.2	66	10.6	10.4	15.6	4,086	100	3.4	...	53	37	10' 11"	17' 8"
Chrysler Imperial.....	42½	1,402	70.6	18.5	14.4	101.2	76	8.3	...	11.8	5,440	180	4.0	79½	57	39	10' 11½"	17' 9"
Austin A125.....	38½	1,307	72.3	21.5	14.2	80.7	71	8.0	7.3	12.4	3,992	...	...	74	55½	36	9' 11"	16' 0"
Bentley B7†.....	38.1	3,170	178.4	21.2	15.5	101.7	91	9.2	3.0	9.6	4,556	...	...	72	50½	35	10' 0"	16' 8"
Cadillac 62.....	37½	1,208	69.4	21.4	17.0	99.7	84	...	3.6	11.6	5,420	160	3.8	82	63	37	10' 6"	17' 11"
Humber Super Snipe.....	36.0	985	83.2	23.0	15.5	91.0	75	9.3	9.2	11.8	4,139	113	3.4	68	56	37	9' 7½"	16' 5"
Mercedes Benz 500.....	35.4	19,900	103	24.3	16.2	100.9	87	11.1	11.2	10.4	2,996	115	4.6	77	54½	...	10' 0"	16' 2½"
Jaguar Mk. VII.....	34½	1,140	70.9	24.8	17.6	101.0	92	7.6	7.9	9.8	3,442	160	5.2	68	55	35	10' 0"	16' 4½"
Bentley Continental.....	33½	4,890	313.0	30.8	20.5	116.5	103	7.1	8.2	9.3	4,556	...	...	68	50	36	10' 0"	17' 2½"
Armstrong Siddeley Sapphire.....	32½	1,240	82.5	25.7	18.7	100.1	88	7.6	8.5	8.9	3,435	150	5.0	68	54	32	9' 6"	16' 1"
Alvis (3-litre).....	31	1,250	86.4	26.6	19.5	88.7	78	7.9	8.6	11.2	2,993	83	4.0	65	50	40	9' 3½"	15' 2"
Chevrolet.....	30½	621	43.3	24.5	16.0	85.1	72	4.7	5.7	15.0	3,850	98	3.6	74	57	37	9' 7"	16' 5½"
Riley (2½-litre).....	29½	925	67.2	27.4	19.6	90.1	75	11.2	9.7	11.9	2,443	100	4.5	61	50	35	9' 11"	15' 6"
Rover 75.....	28½	895	66.8	30.7	23.9	78.3	62	10.6	11.7	16.3	2,103	75	4.2	75	52	34½	9' 3"	14' 10½"
Daimler Conquest.....	28	1,066	81.6	24.8	20.3	81.6	67	8.9	9.7	16.3	2,433	75	4.0	69	51	38	8' 8"	14' 9"
Sunbeam Talbot 90 Mk. II.....	27½	825	64.9	32.6	23.7	84.5	67	10.4	12.0	14.6	2,267	70	4.0	58	51	38	8' 11"	13' 11½"
Renault Frégate.....	26½	784,300	63.3	35.2	25.2	77.9	58	11.7	13.0	16.3	1,996	57	4.0	67	57	35	9' 2½"	15' 5"
Wolseley 6-80.....	26.1	670	55.1	29.0	21.8	85.3	74½	10.4	10.7	15.0	2,215	72	4.6	67	51	37	9' 2"	14' 9"
Humber Hawk V.....	26	695	57.3	29.0	24.2	71.4	58	8.6	9.6	18.7	2,267	58	3.4	67½	53	38½	8' 9½"	14' 6"
Austin A70.....	25½	596	49.6	31.8	21.9	80.5	65	11.0	11.5	14.6	2,199	68	3.8	66½	56	37	8' 3"	13' 11½"
Morris Six.....	25.6	640	53.6	32.1	20.0	82.5	66	14.0	10.9	15.3	2,215	70	4.8	64	50	37	9' 2"	14' 9"
Vanguard II.....	25	590	50.6	28.3	23.5	80.0	70	8.4	9.5	13.6	2,088	68	4.2	65½	56	38½	7' 10"	13' 11½"
Mercedes Benz 170 (Diesel).....	24.1	9,000	68.5	48.4	...	64.3	33	17.0	17.5	32.5	1,697	38	3.2	64	46½	31½	9' 4"	14' 0½"
Singer S.M. 1500.....	24	630	56.3	28.0	22.5	76.3	61	11.1	11.8	14.9	1,497	58	4.6	66	51	38	8' 11½"	14' 8½"
Nash Rambler.....	23	\$1,750	...	33.3	25.2	80.9	67	7.0	7.5	14.1	2,830	82	3.8	66	55	35	8' 4"	14' 8"
Ford Zephyr.....	22½	532	50.1	23.7	23.7	79.8	69	8.2	7.5	14.0	2,262	68	4.0	70	51	35	8' 8"	14' 3½"
Citroen Big 15.....	22½	935,000	89.8	26.2	25.8	70.9	56	11.7	11.6	16.4	1,911	55.7	4.3	74	52	34½	10' 11"	15' 6½"
Alfa Romeo 1900.....	22.6	2.6 m. lire	140.8	34.0	22.8	102.8	95	11.2	...	12.8	1,884	93	5.4	63½	51	38	8' 8"	14' 6"
Fiat 1400.....	22½	1.6 m. lire	88.2	31.3	24.2	74.4	48	17.8	24.0	22.0	1,395	44	4.4	67	53	38	8' 8½"	13' 11"
Kaiser Henry J (4-cyl.).....	22½	493	47.6	29.5	23.4	74.1	64	8.8	10.5	15.1	2,200	68	4.0	68	58	34	8' 4"	14' 10½"
Lancia Aurelia.....	22½	2.3 m. lire	126.5	28.8	...	84.0	63	13.5	16.2	17.2	1,754	55.2	4.0	71	51	35	9' 4½"	14' 6"
Wolseley 4/44.....	22	595	58.0	36.5	27.6	72.9	55	13.1	13.4	19.5	1,250	46	4.8	68	50	36½	8' 6"	14' 5"
Vauxhall Velox.....	21.8	535	52.6	33.5	23.6	80.4	68	9.7	9.3	15.1	2,262	64	4.0	69	53½	36	8' 7"	14' 4½"
Ford Consul.....	21½	470	46.3	35.3	26.0	71.8	58	11.1	12.0	17.4	1,508	47	4.4	72	51	35	8' 4"	13' 8½"
Jowett Javelin.....	21½	625	63.1	32.2	29.1	82.4	69	10.3	10.7	13.9	1,485	52.5	4.5	66	51	36	8' 6"	14' 0"
Morris Oxford.....	21½	510	51.4	32.5	25.7	67.3	50	12.5	12.6	21.4	1,476	40.5	4.2	64	50	36	8' 1"	13' 11"
M.G. (1½-litre).....	20½	635	66.5	40.0	29.5	69.6	56	12.5	12.0	18.8	1,250	46	4.8	60	45	37	8' 3"	13' 5"
Vauxhall Wyvern.....	20½	495	52.4	39.3	30.4	71.6	54	11.7	13.8	22.1	1,507	40	4.0	69	53½	36	8' 7"	14' 4½"
Austin A40.....	19.5	449	49.4	38.2	29.9	68.8	58	11.1	12.3	21.2	1,200	42	4.4	66	50	36	7' 8½"	13' 3½"
Hillman Minx IV.....	18½	470	54.4	36.3	32.1	67.2	50	13.1	13.0	21.4	1,265	37.5	4.2	68	49	36	7' 9"	13' 11"
Simca Aronde.....	18½	611	71.8	39.3	34.1	73.9	53	13.9	16.2	18.7	1,221	44.5	4.5	63	51	37	8' 0"	13' 4"
Fiat 1100.....	17	975,000	70.2	46.8	34.0	77.5	57	13.4	15.2	16.4	1,089	35.5	4.4	67½	47½	36½	7' 8"	12' 4½"
Morris Minor II.....	15½	405	55.1	47.5	39.3	62.3	44	14.9	15.9	28.6	803	30	4.8	58	48	36	7' 2"	12' 4"
Ford Prefect.....	15	395	56.6	(43)	(68)	(47)	(47)	...	...	...	1,172	36	4.4	61	47	36½	7' 3"	12' 7½"
Volkswagen.....	14½	4,150	61.6	45.0	37.1	62.8	40	18.0	21.3	24.3	1,131	25	3.3	55	46	39	7' 10½"	13' 4½"
Ford Anglia.....	14½	360	53.3	(45)	(70)	(52)	(52)	...	...	...	1,172	36	4.4	61	47	36½	7' 3"	12' 7½"
Ford Popular.....	14.6	275	40.5	(36.6)	(30.7)	(59.2)	(45)	(12½)	(11.8)	(26.3)	1,172	30.1	4.0	63	43	37½	6' 6"	12' 8½"
Austin A30.....	13½	355	56.6	45.2	38.8	62.2	47	12.7	15.5	29.0	803	28	4.8	57½	47	33½	6' 7½"	11' 4½"
Standard Eight.....	13½	339	54.3	46.2	43.0	61.3	48	14.9	15.7	26.5	803	26	4.5	59	48	38	7' 0"	11' 10½"
Renault 750.....	12	422	75.4	49.5	43.2	59.5	47	13.5	15.8	24.8	743	21	5.0	60	50	35	6' 10½"	11' 10"
Fiat 500 C.....	11½	685,000	71.5	52.6	40.4	60.3	...	22.0	25.8	34.6	570	15.5	4.4	...	46	37	6' 6½"	11' 1"

* These figures for fuel consumption are a mean of the figures of consumption at steady speeds of 30 m.p.h., 40 m.p.h. and 50 m.p.h. respectively.
† The performance figures of the Bentley B7 saloon shown for top gear are those recorded using the new automatic transmission. § With power glide.
Figures in brackets are partly estimated and cannot be fully authenticated.

It all started with one cylinder



1903 — First Vauxhall Ever Offered for Sale.
Single cylinder, 4" x 4½", horizontal stroke.
Tiller steering. No reverse



1908 — Reliability 45 Years Ago! In the RAC and Scottish Reliability Trials this 20 hp Vauxhall became the world's first car to complete 2,000 miles without one involuntary stop

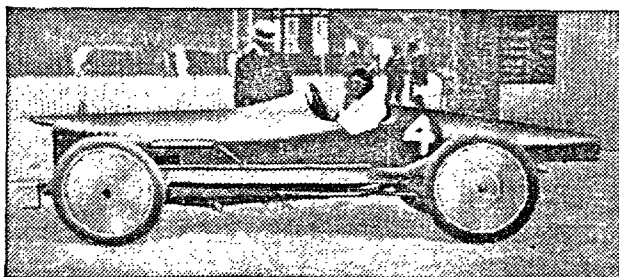
Startled citizens were still stroking their chins over the horseless carriage, and saying it would never replace the horse, when the first Vauxhall pattered on to the road. What a wildly daring departure for a respectable firm of marine engineers! And what a long way Vauxhalls have travelled in the fifty years since!

Before long Vauxhalls were beating all comers for reliability and speed. In 1908 a 20 hp Vauxhall won the 2,000 Mile RAC Trial coupled with the Scottish Reliability Trials. In 1911 four 16 hp world's records were broken. In 1912 a new 20 hp world's record of 97.15 mph over 50 miles was set up. In 1913 the fabulous 30/98 Vauxhall, the sports car of sports cars was introduced. In the 1914 war the Vauxhall 25 was the No. 1 staff car. It took King George V as near the front line as a car could go.

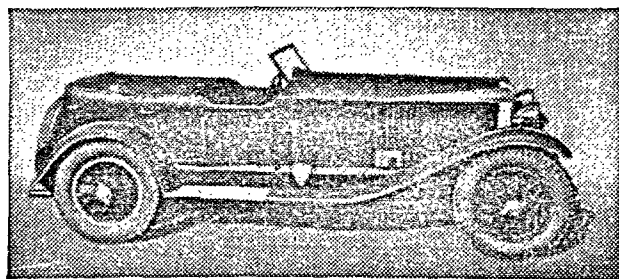
Between the wars, Vauxhall set new conceptions of motoring value by marrying economy and performance. The Cadet, the "Light Six", the 10 hp made motorists of pedestrians in tens of thousands.

Today Vauxhall lead the way with the new Wyvern and Velox, so big and handsome, so powerful, inexpensive and economical, that the designer of that first single-cylinder tiller-steered marvel might well gasp at the revolution he began.

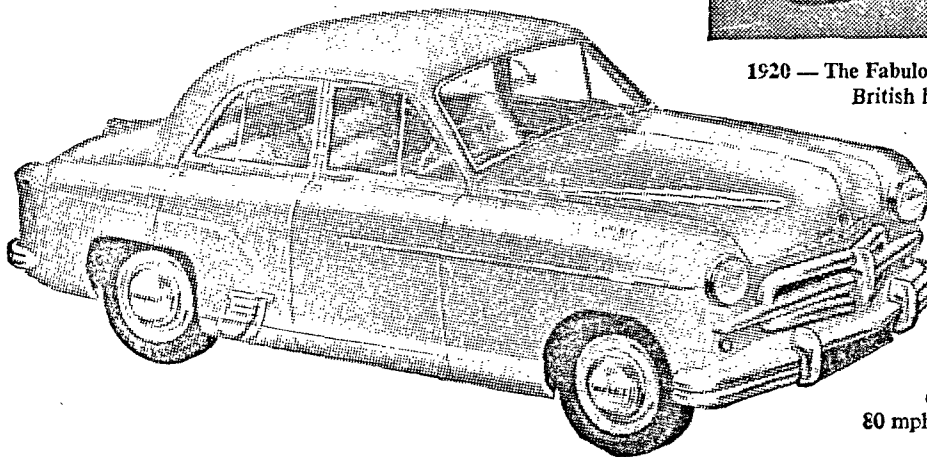
The 6 cyl. Velox illustrated below costs £535 plus £224.0.10 P.T. The 4 cyl. Wyvern costs £495 plus £207.7.6 P.T. Full particulars from your local Vauxhall Dealer or Vauxhall Motors Limited, Luton, Beds.



1910 — First 20 hp Car to Beat 100 mph was this Vauxhall which, at Brooklands, flashed over the flying half-mile at 100.08 mph



1920 — The Fabulous Vauxhall 30/98 — "One of the greatest British high performance cars of all time", winner of innumerable trophies. And still winning today in vintage car events



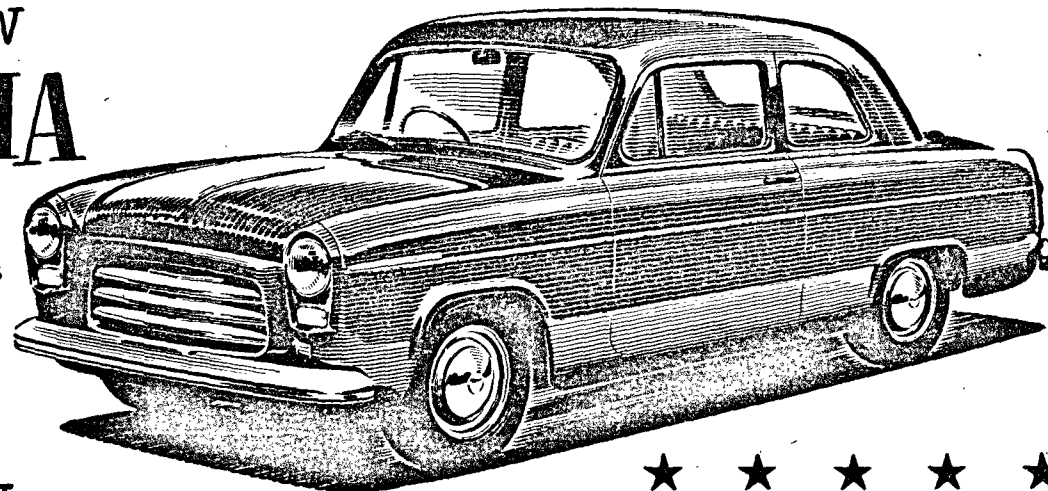
And Today — The six cylinder, spacious, comfortable, reliable Vauxhall Velox, an 80 mph high performance car — which combines economy with luxury

You must see these!

THE NEW ANGLIA

£360

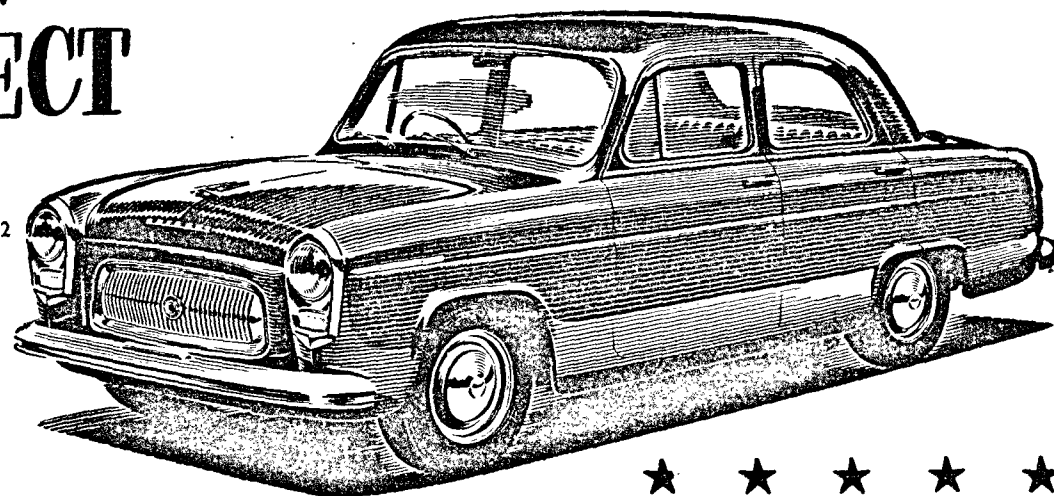
PLUS P.T. £151.2.6



THE NEW PREFECT

£395

PLUS P.T. £165.14.2



The first light cars in the '5-Star' class

BEAUTIFUL APPEARANCE

Such grace and elegance in those beautifully flowing lines . . . and practical design too—more room inside and exceptionally large luggage space.

ROOMINESS AND COMFORT

Plenty—yes plenty—of room for four big people. A car that you can hold your head up in! And for added comfort, all seating is within the wheelbase.

PERFORMANCE

The engine gives new standards of power and performance. Minimum of gear changing necessary. Really 'big car' performance—due to the excellent power to weight ratio.

ROAD HOLDING

New independent front-wheel suspension—similar to the Consul and Zephyr 6—for easy riding and safe cornering.

SAFETY

All-steel welded integral body construction. Wide angle windscreen and rear window for full vision. Hydraulically operated brakes and clutch for ease of control and therefore safety.

ECONOMY

Ideally balanced power to weight ratio ensures low petrol consumption, reduced engine wear and remarkably economical running costs.

More room and style—at less per mile

Ford '5-Star' motoring

THE BEST AT LOWEST COST



THERE IS A FORD DEALER AT YOUR SERVICE IN YOUR TOWN

Five Million in Five Years?

BEFORE the war there were just over 2 million cars in use in this country. Twelve months ago there were just over 2½ million, and the latest figure is 2.625,000 cars in May. Some hold that this postwar expansion is largely a reflection of the increased number of cars used mainly or entirely for business purposes and that the only people nowadays who can afford to run cars purely for private purposes must be surtax payers. But the facts surely disprove such ideas. A large and increasing number of people of modest incomes own cars which they use purely for pleasure; with a reduction in the cost of motoring and an increase in the general standard of living, the number of private motorists will certainly expand too.

What the motor industry has to estimate, or to guess, is the prospective increase in the number of car owners of the most modest means. The greater part of any increase in the number of private motor car owners during, say, the next five years must be of new owners who become able to afford a car through a reduction in the cost of motoring or through an increase in incomes—both at the margins where, at present, motoring cannot be afforded. The first point of study is the cost of motoring at the margin. The cheapest motoring today is probably to be had by buying a three- or four-year-old car of the smallest size and running it for six or seven years—when its value will be so small as to be negligible. The figures suggest that there must have been some people with marginal means who were able to afford to become motorists for the first time in 1952. The costs that they may have incurred in the middle of 1952, and the cost of the cheapest motoring, as it may be projected for 1959, will largely determine the pace of expansion of popular motoring in the next five years.

Early in 1952, popular cars of 1948 vintage were about 10 per cent above the list price of the same model new. The list price of the cheapest new car, the old Ford Anglia, was £515 including purchase tax. The marginal motorist last year might have been lucky enough to buy a postwar Anglia for £550. Given a prospective life of seven or eight years, postwar depreciation could hardly be less than £75 a year. Tax would cost £10 a year and insurance, say, £12 a year. If he bought 100 gallons of petrol a year, he could hope to do 4,000 miles; at 4s. 6d. a gallon this would cost £22 10s. Replacement of tyres might cost £5 a year; and other costs, if he were very frugal, might be kept down to £15 a year. All told, this marginal motorist would have to allow a total budget of £140 a year.

Any calculation of the prospective costs of motoring for the marginal motorist in 1959 is bound to involve a gen-

erous share of guesswork and a range of assumptions for which the only respectable claim is some degree of plausibility. The next stage of the argument, therefore, enters a field not of fact, but perhaps not wholly of fancy. The lightest saloon car on the British market is the Standard 8, weighing 13½ cwt, and retailing at £339 (plus purchase tax) or 54.3d. per lb. The cheapest car is the new Ford Popular—a new name but a not unfamiliar car—which weighs 14.6 cwt, and retails at £275 or 40½d. per lb. The first hopeful assumption is that some British manufacturer will in the next year or two surpass the technical economy of such vehicles as the Renault 4 c.v. of 12 cwt, or even the Citroën 2 c.v., by developing a vehicle of 10½ cwt, retailing, as the Ford Popular retails, at 40d. per lb. This would give a price just below £200. The second hopeful assumption is that the present purchase tax of 50 per cent on cars is replaced by a general sales tax of 15 per cent, which would raise the retail price, including tax, to £225. If by the

arrival of the sixties the second-hand market had attained its prewar pattern, when a four-year-old car sold at 40 per cent of its list price, a marginal motorist would be able to buy such a car for £90; if he ran it for six years, depreciation would cost him £15 a year.

Moving into an area of even rosier optimism, let us now assume that governments become so intelligent that they no longer overtax motorists, and content themselves with £10 licence duty and petrol tax at 1s. a gallon. Petrol for 4,000 miles—if his much lighter car does 50 miles to the gallon—will require 80 gallons, costing £12 at 3s. per gallon. Allowing £12 for insurance, £4 a year for tyres, and £12 for other

costs, the projected total budget by the end of this decade would come to £65 a year, less than half the 1952 minimum of £140. The number of people who could afford to become motorists at £65 a year would be enormous; the cost would be no more than many a working-class family now spends on cigarettes.

From this plainly hopeful projection of future costs, a series of guesses at the potential number of motorists can be developed. A report on the ownership of cars (and other goods) in May, 1952, by Mr R. F. F. Dawson, published in the Bulletin of the Oxford Institute of Statistics last May, shows how car owners were distributed among different income groups. This distribution appears in column 4 of the table overleaf. In columns 6 and 8 respectively are set down the proportions in each of the income groups which by 1959 might be expected to become car owners on two assessments—optimistic and most optimistic. These are frankly guesses—not inherently impossible, perhaps, but

Before the war, the number of cars in use (in the third quarter of the year) increased two and a half times in twelve years. The figures are at three-year intervals, together with the average annual rate of increase.

	Cars in use	Average annual increase per cent
Prewar	800,100	18.4
1927	1,075,100	10.4
1930	1,226,500	4.4
1933	1,675,100	10.9
1936	2,073,400	7.4

Registrations since the war are divided between cars taxed on horse-power (that is, cars first registered up to 1946) and those taxed on cubic capacity since 1946. In the thirteen years since the outbreak of war the number in use has risen by a quarter.

	Cars Registered on H.P.	Cubic Capacity	Total	Increase over previous year per cent
Postwar	1,752,100	208,400	1,960,500	...
1948	1,789,500	341,300	2,130,800	8.7
1949	1,790,700	467,200	2,257,900	6.0
1950	1,782,900	597,500	2,380,400	5.4
1951	1,766,800	741,300	2,508,100	5.4

not capable of carrying too much weight. And the projected total numbers of cars on these two bases shown in columns 7 and 9 have a similar ranging quality that cannot be tested very far by cold statistical logic. The calculation

How Many Cars in 1959?

Income Group	Number of Incomes		Car Owners in each group 1952		Guesses for 1959			
	Per cent of total	000's	Per cent of group	000's	Optimistic		Most Optimistic	
					Per cent of group	000's	Per cent of group	000's
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Under £200	24	5,280	1	50	2	110	3	160
£200 - £400	35	7,700	4	310	7	540	19	770
£400 - £600	26	5,720	10	570	20	1,140	30	1,720
£600 - £1,000	11	2,420	19	460	40	970	50	1,210
£1,000-£2,000	3	660	44	290	75	500	80	530
Over £2,000	1	220	76	160	80	180	85	190
Total	100	22,000	...	1,840	...	3,440	...	4,530
Add cars owned by businesses, etc.				560	...	840	...	1,000
Grand total				2,400	...	4,280	...	5,530

tions assume that the size and distribution of incomes are the same in 1959 as in 1952—one assumption, at least, that should have the merit of being conservative. The guesses in columns 7 and 9 do not presuppose, of course, that all the new motorists will each own a four-year-old car of minimum size and greatest economy; the considerations that apply to that limiting case of motoring at the margin will also apply, *mutatis mutandis*, to the costs of motoring on less frugal standards, and must be expected to stimulate demand for all cars throughout the entire range of incomes.

On these guesses it is possible at least to visualise the possible total ownership of cars in 1959 at between 4½ and 5½ million. To deduce from such figures how many cars

are likely to be sold in the home market involves a further series of assumptions about the rate at which cars are scrapped. Reliable statistics on the expectation of life of motor cars are unfortunately lacking in this country; there are American figures of the ages of the cars under registration at July 1st each year, from which some sort of mortality statistics can be drawn up, and these may not be wholly irrelevant to conditions here.

Postwar figures suggest that during the first five or six years of life, about 1 per cent of each age group of cars perishes in every year; the rate of mortality increases thereafter, and subsequent survivals, for any given age group, seem to run as follows:—

	After						
	11 years	12 years	13 years	14 years	15 years	16 years	17 years
Survivals, per cent.	84	78	70	59	45	31	20

From this trend, the demise of the 1,700,000 of prewar cars (out of the two million in 1939) still registered in September, 1952, might proceed roughly on this pattern:—

1954	..	150,000	1957	..	300,000
1955	..	200,000	1958	..	350,000
1956	..	250,000			

leaving a gallant band of 450,000 moving into their third decade of life in 1959.

By then, the mortality of cars registered in the period 1946-52 should be considerable. The table opposite sets out the number of cars registered for the first time in each of those years and the number which it seems reasonable to assume will perish between 1952 and 1959. It suggests

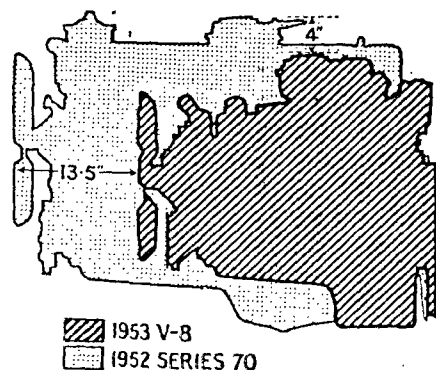
V Engines

AN engine designer's problem is set by limits of space, fuel economy, performance and accessibility. He must then design a unit producing the requisite power at the lowest cost of material and labour. In normal conditions of large output, labour and material costs will not vary greatly between one engine and another of similar weight; it is weight that remains the decisive factor. Reduced to its essentials, the problem then becomes a matter of enclosing the requisite combustion space in its double skin of cylinder wall and water jacket, and the crankshaft in its stiffer single skin, using the minimum weight of metal.

One school of designers hold that if there are to be more than six cylinders, and perhaps if there are to be more than four cylinders, the most economic answer is the "V" engine, with cylinders of rather fat, stocky proportions. Much of the engine development work in the American automobile industry is now concentrated on V engines. The diagram—reproduced from a paper read to the Society of American Engineers

by Mr Matthews and Mr Turlay of the Buick company—shows the saving in length and height which can be achieved. The saving in weight is 170 lb, or over 20 per cent. The saving in height is welcomed by the body stylist, whose dictates, according to these authorities, "are one of the most important, if not the most important factor, in determining the future trend of engine design."

REDESIGN OF BUICK ENGINE



1953 V-8
1952 SERIES 70

ing the future trend of engine design." The increased width, particularly with an overhead valve engine, for long a characteristic of the Buick and almost universal in modern engines, can just, but only just, be accommodated. The saving in weight means a saving in cost in the engine itself, and a consequent saving in weight and cost throughout the rest of the vehicle. It seems possible that V-8 engines may, in the next two or three years, become almost universal in American cars; if so, the change will call for heavy investment in production plant which will commit the industry to V engines for fifteen or twenty years.

For engines of four or six cylinders—which British sizes of vehicles demand—a V arrangement would give comparable savings in weight and size; but it would also involve more expensive crankshafts, heavier flywheels and unbalance in running. General Motors, however, have acquired a patent for an arrangement to give a V-6 engine the balance it lacks; and at least one British manufacturer is said to have an experimental vehicle on the road with such an engine. It is possible that for a car of the utmost economy, a V-4 engine might be the best solution.



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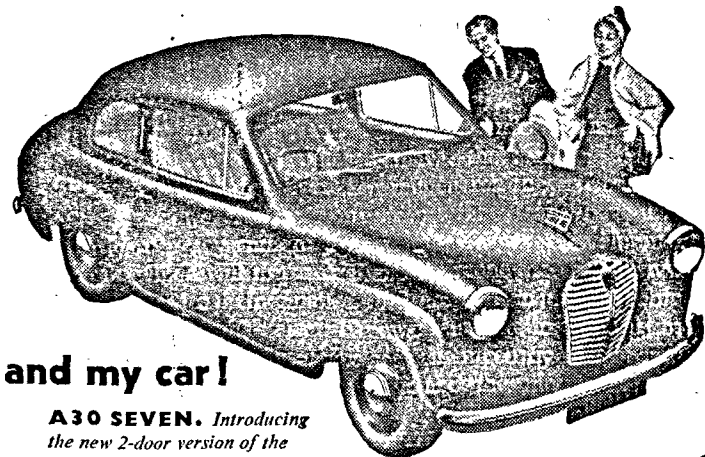
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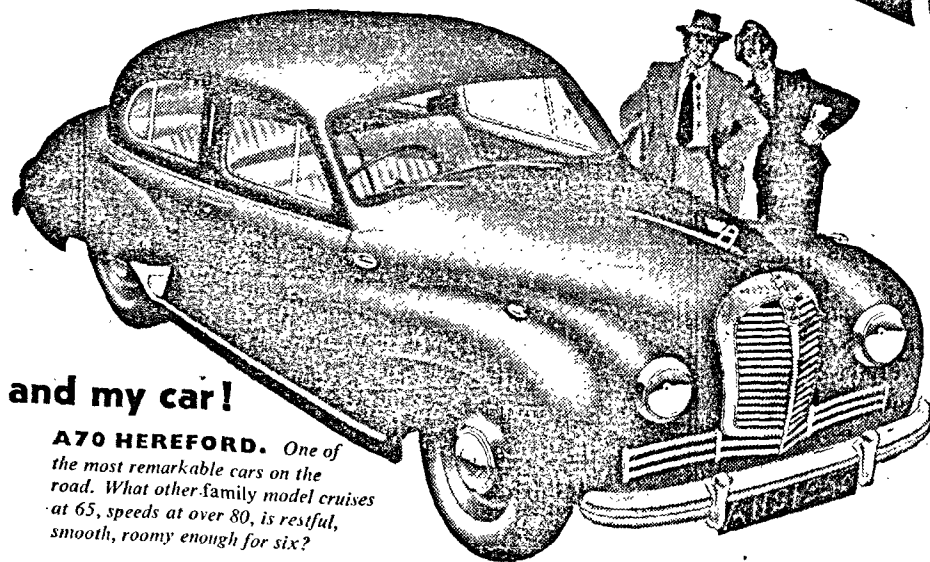


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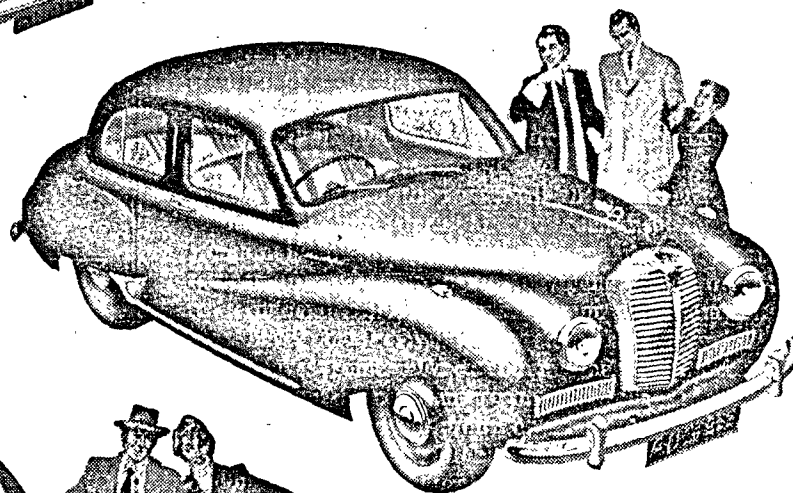


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that by 1959, there may survive, perhaps, 450,000 pre-war cars; and of the 997,300 cars of vintage 1946-1952, say, 850,000, making 1,300,000 in all. If, then, the car population in 1959 were taken at a potential $4\frac{1}{2}$ million, there would be a market in this country over the next six years for $3\frac{1}{2}$ million new cars; if the more optimistic figure

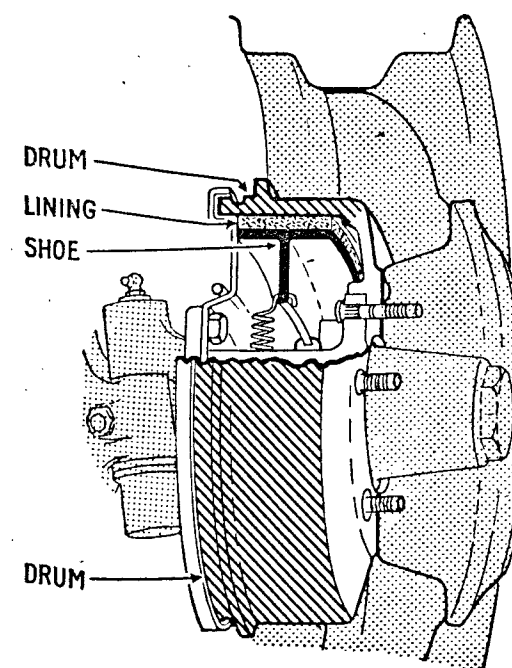
Year	New registrations	Assumed rate of loss by 1959	Losses by 1959
1946	000's 121.7	per cent 20	000's 24.3
1947	147.8	18	26.5
1948	112.7	16	18.0
1949	154.7	14	21.6
1950	134.4	12	16.2
1951	138.4	10	13.8
1952	187.6	8	15.0
Total	997.3	...	135.4

of $5\frac{1}{2}$ million were taken, the total market would be for $4\frac{1}{2}$ million. The two lines of guesswork set limits for a potential home market of half a million to three-quarters of a million cars a year. Production of passenger cars for the twelve months to July last was 525,000; and exports for the same period were 286,000. If sales in the home market for the next few years were to reach half a million a year—or, on an even more buoyant basis, three-quarters of a million—the prospects for car exports should also be excellent. Such a volume of home sales ought to make possible a level of

Disc Brakes

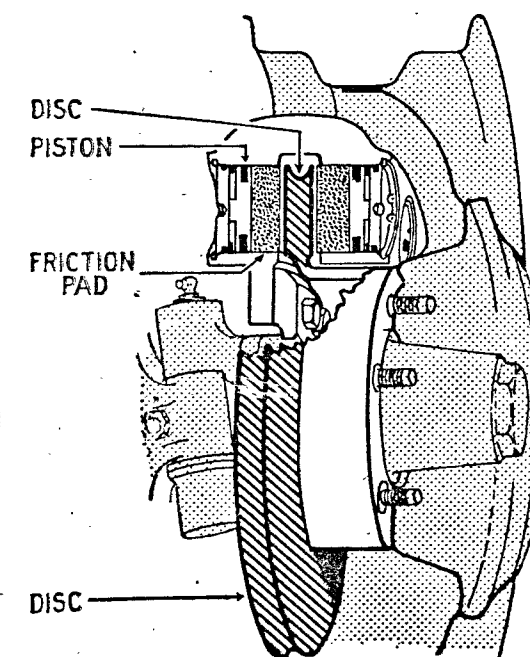
ALMOST every production car and truck is braked by shoes pressing outwards on drums. Sometimes the pressure of the foot is augmented by power drawn from the engine; and sometimes by a self-wrapping arrangement by which the brake drum, when the shoe presses against it, draws the shoe round with it and increases the pressure.

EXPANDING BRAKE



Internal expanding brakes in their various forms are neither expensive nor heavy, and will ordinarily do what is required. But with repeated use in a short space of time they generate much heat and if the rubbing surfaces become very hot, braking efficiency falls sharply. Modern styling keeps the cooling stream of air from the brakes; and with fiercer

DISC BRAKE



driving and higher speeds, a braking system less prone to "fade" becomes increasingly desirable.

The answer is the disc brake. Instead of carrying a brake drum, the wheel carries a solid disc. The expanding brake shoes give place to friction pads mounted on either side of the disc; these pads can be moved under hydraulic pressure so that they pinch the disc and so arrest the rotation of the wheel. The disc, uncovered except for the small area of

the brake friction pads themselves, gives up heat much more readily.

In the 24-hour race at Le Mans, the Jaguar Company, which in conjunction with Dunlop has led the technical development of disc brakes, fitted them to their cars. The effect, in allowing the drivers to postpone the moment of braking for a corner, was dramatic. Time after time, a Jaguar approaching a corner could pass another car applying its brakes, and still have time itself to brake for the corner.

Disc brakes are demonstrably more efficient than expanding brakes for hard driving or in mountainous country; given time for development, they may become cheaper than expanding brakes.

Holding the American Market

IS it worth making a special effort to secure sales of British cars in the dollar markets? The easy cynical answer is that the American car industry will react sharply if the volume of British sales becomes uncomfortably high or if a period of stiffer competition lies in store for the American car market. The practical answer from past experience is rather different. In 1938, the number of British cars exported to the United States was 99. Who would have predicted then that in 1953 the total export of automotive products to the USA and Canada would have earned \$100 million? Yet that figure, or something very close to it, is likely to be achieved. This represents a considerable and a growing success. The following table shows the numbers of British and European cars registered in the USA in the last five years by seventeen makers; these firms sold all but 2,000 of the foreign cars registered in the United States in these years:—

FOREIGN CARS REGISTERED IN THE UNITED STATES

	1948	1949	1950	1951	1952	Total
M.G.	682	857	1,576	3,790	7,449	14,354
Austin	8,610	3,642	5,452	3,800	4,804	26,308
Hillman	789	575	3,279	3,787	4,782	13,212
Ford	3,223	5,087	1,869	3,508	3,854	17,541
Jaguar	238	158	912	1,702	3,349	6,359
Morris	1	298	695	1,583	1,945	4,522
Singer	7	29	125	199	389	749
Rover	1	11	66	241	371	690
Sunbeam-Talbot	13	17	120	133	281	564
Humber	2	3	89	309	226	629
Riley	1	25	117	226	49	413
Rolls-Royce	6	3	18	14	34	75
Bentley	4	8	18	12	27	69
Daimler	0	0	5	19	11	35
Total British	13,577	10,713	14,341	19,323	27,571	85,525
Volkswagen	...	2	157	390	601	1,150
Renault	860	1,402	1,551	777	374	4,964
Porsche	...	...	...	...	141	141
	14,437	12,117	16,049	20,490	28,687	91,780

For the first six months of 1953, the registrations of the five leading makes show an increase of 18 per cent over the corresponding period of 1952; Jaguar indeed heads the list with a 61 per cent increase, followed by Ford with 27 per cent and Hillman and MG with 23½ per cent; the new registrations of Austin cars show a decrease of 23 per cent.

From these figures a general pattern emerges. Five years or so ago, the American buyer found it difficult to get delivery of a new car; Austin, and at a later stage Ford, showed commendable energy in seeking dollar sales. With the disappearance of the sellers' market, demand has waned for the ordinary English saloon cars. Ford, with the Zephyr and Consul—much more attractive vehicles than they could offer in the earlier years—and with the American Ford distribution organisation to help them, have none the less improved their position; and so have Hillman, with the sales appeal of the Minx; but Austin have continued to

experience a declining trend in sales. On the other hand the sales of open sports cars—almost entirely the Jaguar and the MG—have shown remarkable growth.

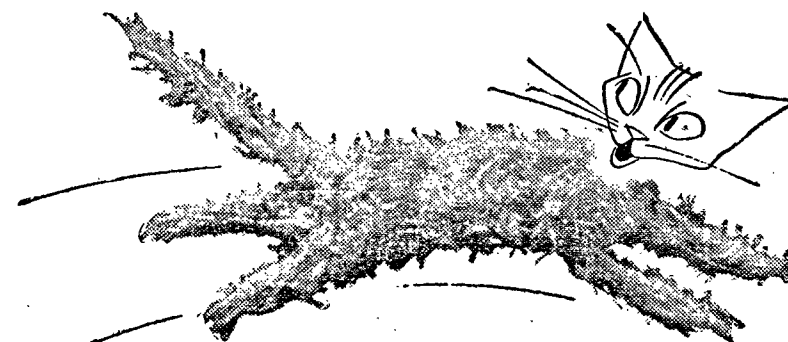
★

In the closed car field, the demand for standard English saloon cars, exemplified by the sales of Austin, Hillman and Ford, is perhaps not likely to expand very rapidly. The principal attractions to the American owner are the distinction of something different, economical running, and easy parking. But the market may be narrowed if other American makers follow the Hudson company in offering smaller cars. At the lower end of the scale, in size and economy, the failure of the Renault—a really small car of remarkable properties—to achieve larger American sales suggests that expectation should not be pitched too high; but special considerations of costs or marketing policy may have kept the sales of that car below those that might have been expected, given its low natural cost.

Three of the British big six, Austin, Hillman and Ford, have achieved substantial sales in the American market. The new small Standard and Ford models may well add to the volume. The remaining one of the Big Six, Vauxhall, may perhaps revise its future attitude to the American market. If a new policy at Luton included, in due course, a small Vauxhall, this might well be sold in quantities in the United States; and General Motors' high command might be glad to find out for themselves, at negligible cost, the answer to the multi-million dollar question: Is there a really large potential market for a small car in the USA?

Style with Speed

Jaguar, alone of English manufacturers, has succeeded in selling in serious quantities a closed car of a type which the British connoisseur would consider really interesting. But in this field there may be latent possibilities. It is reported that substantial orders have been booked (a rate of 3,500 a year has been quoted) for the Porsche car—a small saloon car of high performance and distinguished appearance, powered by an enlarged version of the Volkswagen engine. The Porsche is disfigured by a noise level (almost inseparable from an air cooled engine) much higher than that of American cars; and it may be that after a year or two its sales will not be maintained. It seems that a market might be developed for an English closed car with an appropriate combination of size, performance and distinction of appearance which has hitherto been missed. The sales of the Jaguar saloon, of similar size to the general run of American cars, show that there are buyers prepared to pay a small premium for the distinction of a non-American car plus a small measure of superiority in appearance and performance. It may be that the 4 cylinder version of the Jaguar and other British engines in the 1½ to 2½ litre range will in due course show what can be done.



asbestos cat

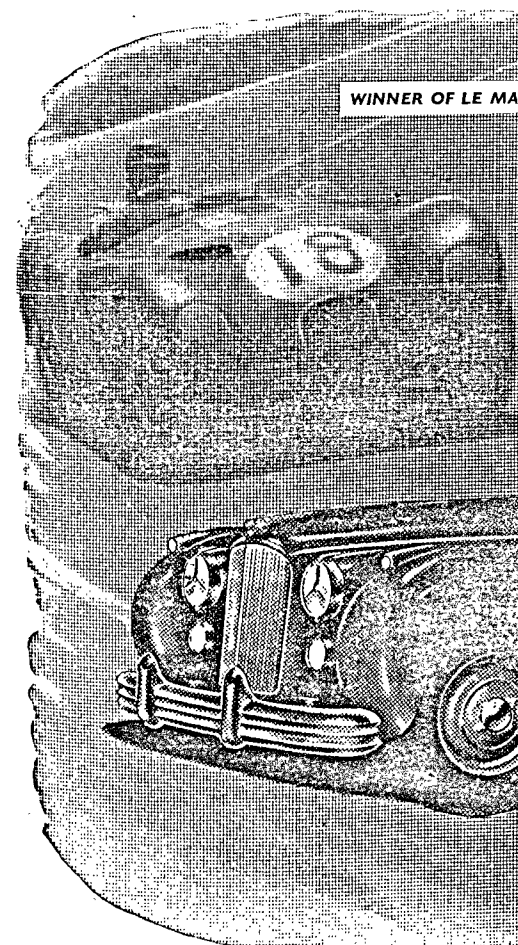
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attainable with given power. In subsequent racing this year, Aston Martins have on more than one case defeated Jaguars, once because the peculiar character of the circuit showed that the disc brake has limitations, and once through gear-box trouble. These failures have no relevance to what the fiercest private driver could do to his car on public roads; but the Aston Martin may well be able to exploit its success in the USA, though at a higher price and in smaller quantities than the Jaguar can accomplish.

★

There are, however, two possibilities of serious competition with the Jaguar XK120. The American factories are all eyeing with interest the market for high speed open cars, and at least one model has appeared which must be taken seriously—the Corvette, made by General Motors. Current production is scheduled at only 50 a month, at a selling price of \$3,250. For next year, a production programme of 1,000 a month has been announced, and this could reduce the selling price, it is thought, to \$2,600. This new car has a kerb weight of 26 cwt and an open body of reinforced plastic construction which is reported to be of impressive appear-

ance. It is powered by the Chevrolet six cylinder engine which in standard form develops 108 bhp. In the Corvette, it is to be fitted with three carburettors, and with other modifications these may increase the output to 150 bhp. The acceleration at moderate speeds should be equal to that of any European sports car, and the maximum speed is likely to be more than 110 mph.

The other potential threat is from Mercedes. In 1952 the Mercedes team won handsomely at Le Mans; but the factory eschewed racing in 1953, no doubt to the mortification of Jaguars, who would almost certainly have had their revenge. Mercedes are expected, however, to return to racing in 1954; and success at Le Mans might lead to the subsequent marketing in the United States of a sports car of a performance and price which could challenge the Jaguar XK120—and also to an even better, more salable, large Mercedes saloon.

Sporting Juniors

Logically enough, British manufacturers are opening the country between the two paths blazed by Jaguar and MG with an intermediate range of open cars in size of engine

Diesel Engines for Cars

A PETROL engine sucks into the cylinder a mixture of air and fuel, compresses it in the ratio of between 6 and 8 to 1, and ignites it with a spark. A diesel (or compression-ignition) engine sucks in air and compresses it to about 16 to 1; a tiny dose of fuel is then pumped in against the pressure and is ignited by the high temperature generated by the high compression.

The attractions of compression-ignition, or diesel, engines for cars are the saving in fuel consumption—roughly speaking, a doubling in miles per gallon, and perhaps a lower price per gallon—the elimination of electrical ignition and lower maintenance costs. Against these must be set: (1) Greater weight—since the diesel

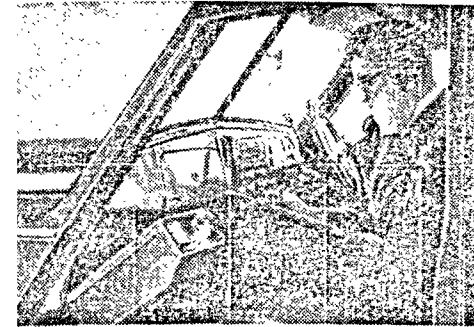
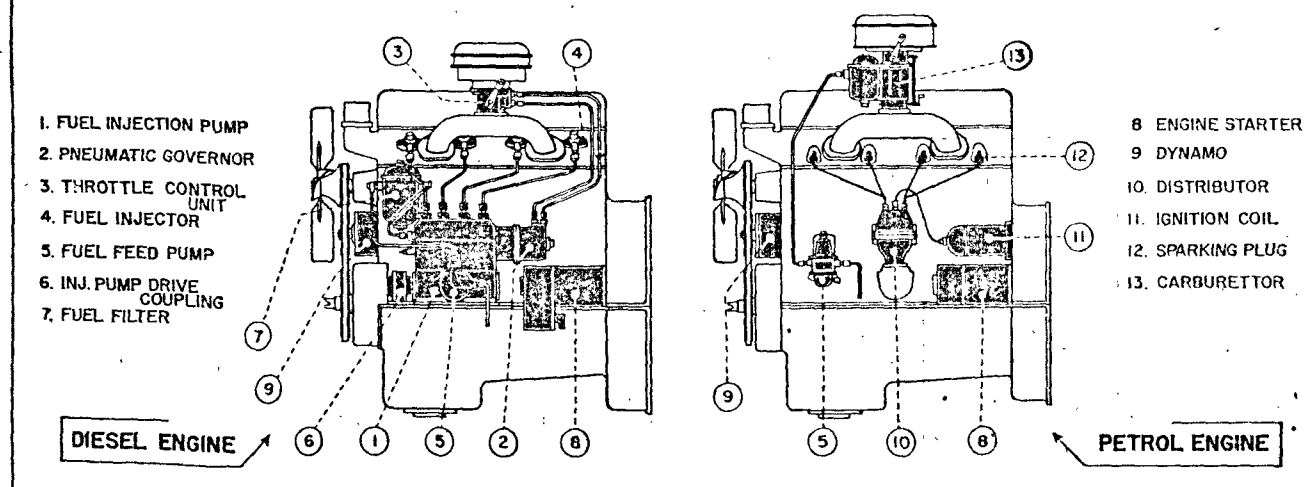
engine runs at lower speed, it needs bigger cylinders to give a required power output, and the higher pressures call for a stiffer and heavier construction. (2) Greater roughness at idling speed. (3) Greater cost of accurately made equipment to measure out a tiny dose of fuel and pump it into the cylinder against high pressure. (4) Narrower range of usable engine speeds. (5) Greater difficulty in starting at very low temperatures.

If produced in the same quantities as automobile petrol engines, the extra cost of a diesel engine would probably be equivalent to the cost of the fuel pump and injector which, in such quantities, might be brought as low as £10-£15; the saving in fuel might

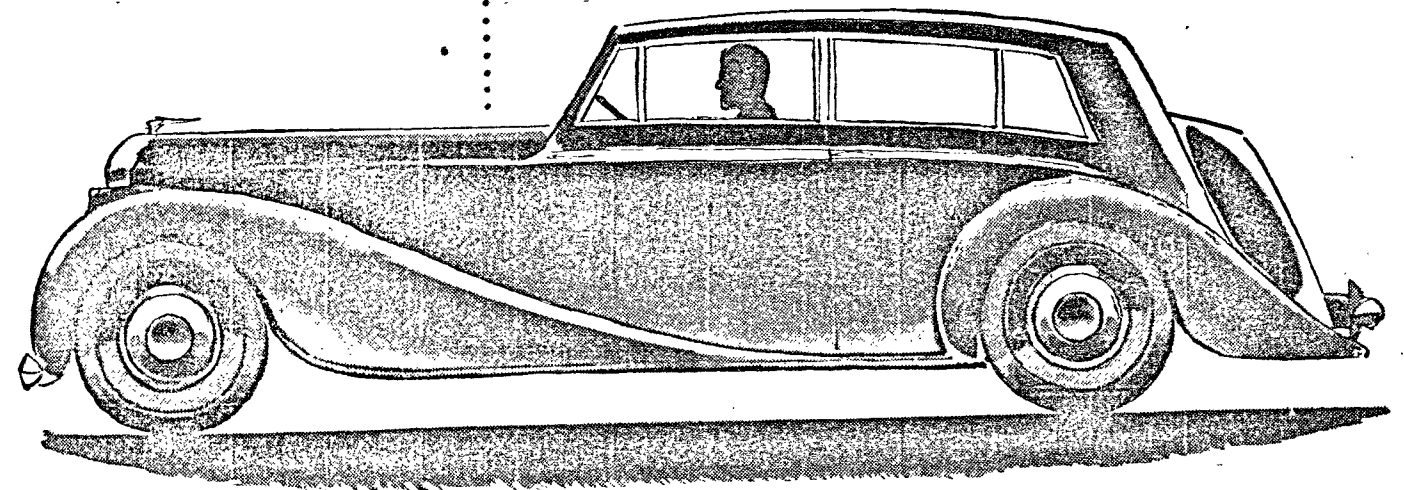
balance this in, say, two years running.

For the small car of utmost economy, two technical difficulties arise with the diesel engine. The doses of fuel to be metered out for each explosion with a four-cylinder engine may be as small as one half-millionth of a gallon—and it is not easy to do this accurately and cheaply. It is also difficult to build a diesel engine with a stroke shorter than about three inches, for with manufacturing tolerances and the play which develops with wear, there is danger of the crown of the piston hitting the head of the cylinder. But experiments with diesel engines in London taxicabs and in other light vehicles may show how far the application of diesels to private cars is practicable.

COMPARISON OF TYPICAL 4 CYLINDER DIESEL AND PETROL ENGINES



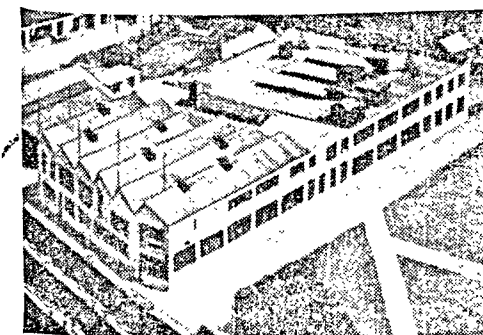
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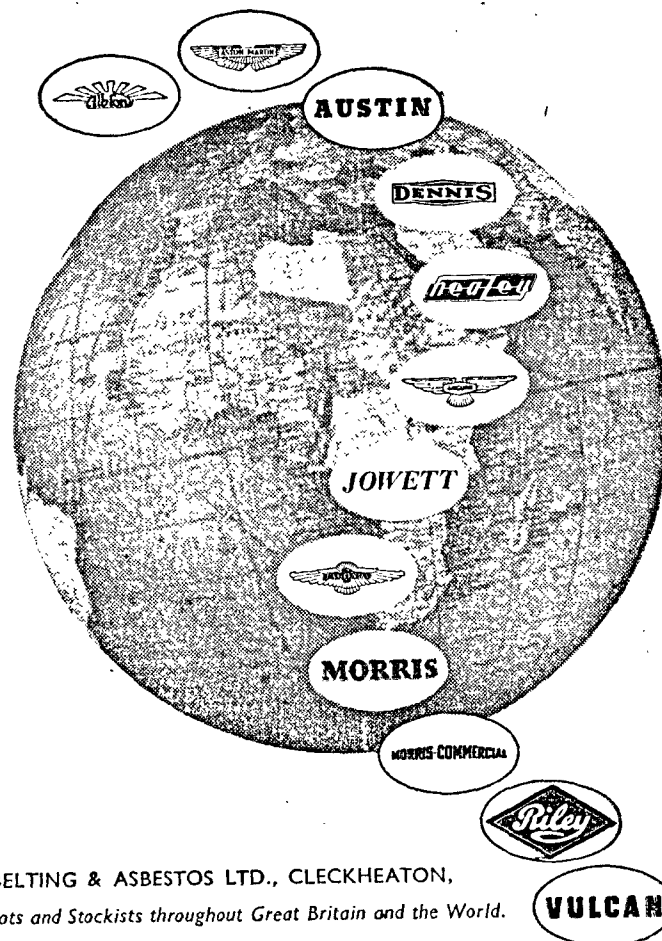
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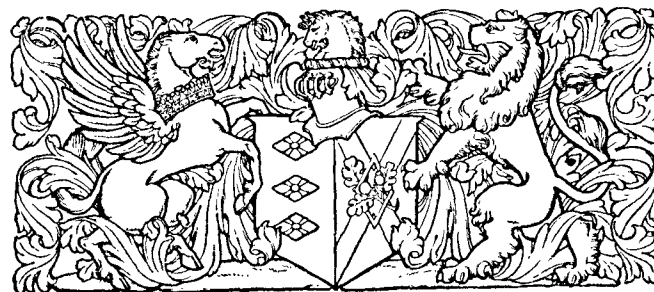
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and vehicle, in performance and in price. The two outstanding examples are the Austin Healey and the 2-litre Triumph. The former is a model developed by the Healey Motor Car Company, a small British concern that has links with the Nash Kelvinator Corporation—the largest independent American car manufacturer outside the big three, GM, Chrysler and Ford. Based on the engine used in Austin Healey, the Austin Healey has passenger accommodation more luxurious than the MG Midget, more luggage accommodation, and a modern appearance, all for a kerb weight of 18½ cwt—little more than that of the Midget and with twice the MG's engine capacity. The performance is outstandingly good, with a maximum speed of about 110 m.p.h. When the Healey Company unveiled the car at last year's Motor Show the price was announced at £850. Since then the Austin Company has undertaken responsibility for its production and, in spite of the addition of overdrive (which probably adds £50 to the retail price), the British price has been reduced by £100. A programme of 200 units a week has been rumoured; on such an output, and with the energy of Mr Lord and the British Motor Corporation organisation behind it, its sales in the United States might well outpace those of any British car, particularly if the Nash dealer organisation were concerned in its marketing.

With a rather smaller engine (the Standard engine as used in the Vanguard and in the Ferguson tractor, which is produced in quantities which should ensure really low costs) the Triumph 2-litre is priced in this country nearly £200 below the Austin-Healey. No road tests have been pub-

lished, but officially reported performances of prototypes (presumably not entirely standard) have shown speeds of more than 120 m.p.h. The production cars should have excellent acceleration and a top speed of about 100 m.p.h., and, given an effective dealer organisation, prospective sales in the American market should be impressive. The Sunbeam Alpine cannot hope to offer a performance comparable with either of these two cars. The 2½-litre engine now gives 80 bhp; but since the car's kerb weight is over 26 cwt—some 7 cwt more than the Austin Healey with its 90 bhp engine—its success must rest not so directly on its performance as on the sales appeal of its graceful lines and on the aggressive marketing ability that the Rootes organisation has always shown.

★

The MG Midget continues its highly successful sales, but a successor can hardly be indefinitely delayed. The Austin Healey and the Triumph will have a top speed of 30 per cent above that of the current Midget to set against their higher selling prices. Those who have bought, new and secondhand, the 20,000 Midgets must include a high proportion of the "fancy" of the current generation. The BMC can hardly fail to take advantage of the legend handed on to the succeeding generation, and of the strong dealer and service organisations that have been established, particularly in the Eastern and Pacific Coast States. The owner of a sports car can overlook being left at the lights

Engines: Front or Back?

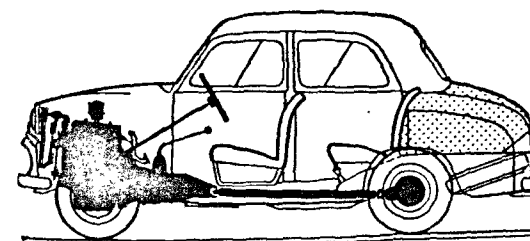
THE most successful Continental economy cars have their engines next to the axle they drive; the Renault with its vertical water-cooled 4-cylinder engine, the Volkswagen with an air-cooled flat four engine, both at the rear, and the Citroën with an air-cooled

flat twin in front driving the front axle. The location of the engine next to the axle it drives saves the weight and cost of a propeller shaft and the tunnel that houses it. Comparison of the rear engine 750 c.c. Renault with the orthodox 803 c.c. Standard eight reveals very

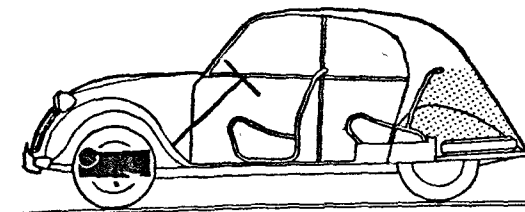
similar body space—the Renault a little wider and the Standard a little roomier fore and aft. But the Renault saves an inch in overall height and 1½ in in wheelbase; and 10 per cent in total weight. The lighter vehicle gets an almost identical performance with a slightly smaller engine and a 3-speed gear-box against four-speeds for the Standard, but it offers no greater economy. This fact suggests that the Standard engine—designed five years later—shows a full measure of progress for that space of time.

Comparison of the Volkswagen and the Morris Minor does not give such close resemblance; but the Morris Minor has 1 cwt more of weight, to be paid for initially and in running costs. The Morris Minor owner need resort less to the gear-box to attain a given performance; the Volkswagen, with its lightly stressed engine, will show its quality on exacting terrain or under hard driving.

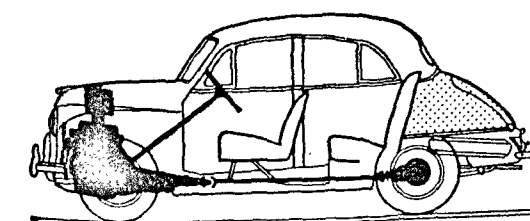
STANDARD EIGHT



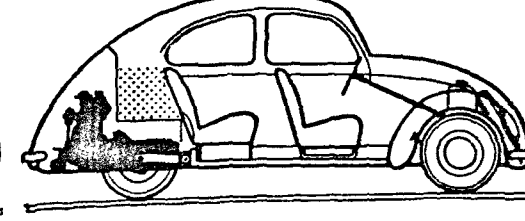
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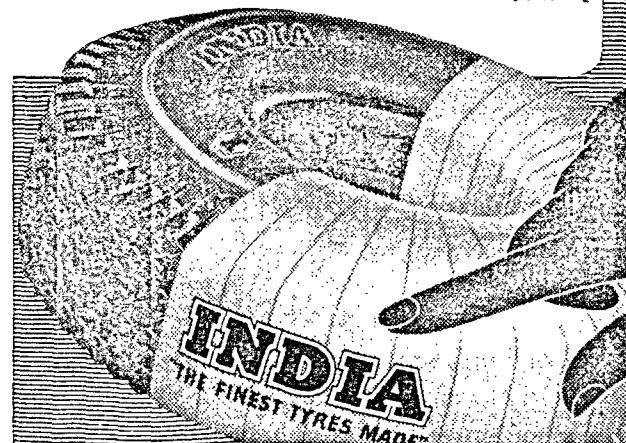
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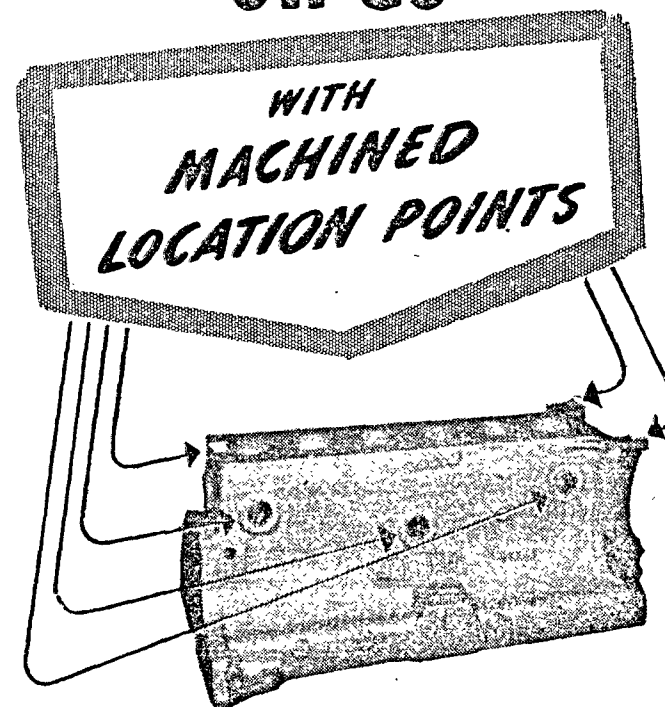
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by a standard saloon car, and on the open road he is not likely to be passed very often by a saloon car driven by a paterfamilias, even though the latter has a 20 m.p.h. advantage in maximum speed. But he is not likely to be allowed to forget a similar indignity inflicted on him by one of his own generation in a car as airy as his own. The performance to be required may well call for an engine bigger than the current 1½-litre MG; the BMC, already represented in the over 2-litre field with the Austin Healey, might well choose a 1½-litre size, perhaps using a hotted up version of the new 1½-litre BMC engine embodied in the newly announced MG Magnette saloon. If a new MG achieved a weight similar to that of the new Jowett sports car of 14 cwt, the difference in its performance compared with the Austin Healey and Triumph should be made good by its lower price.

★

The new Jowett Jupiter R4, unveiled on Wednesday, is a brilliant design. In terms of mechanical design, the low weight achieved is remarkable, as a comparison with the other figures in the table shows. But in addition, the new technique developed for the construction of the body in a plastic fibre seems most promising, and may well be a most apt reaction to the particular difficulties in which the Jowett Company finds itself. The car should have a performance

comparable with the new Triumph Sports, and is reported to have excellent road behaviour. If, when it is in production, market arrangements can be made which are worthy of the technical quality of the product, its sales in the USA might be substantial.

A British-built open car which will be smaller than any of these and can hardly rival them in performance—but which may still earn more dollars than any—is the Nash NK1. This will embody the Austin engine used in the A40 and will be built in the Austin works at Longbridge to designs by the Nash Kelvinator Corporation, who will market it. Production is expected next year or possibly even earlier. It is a tribute to the British industry that, after various European engines had been considered (which must have included the Fiat 1100 c.c. and the 1400 c.c.), Nash Kelvinator selected the Austin engine and decided on production at Longbridge.

The opening of this article suggested a total of \$100 million of automobile sales in the North American market. The range of cars here discussed from the point of view of their saleability in the USA should do more than maintain their proportion of that total—to which should be added the sales of cars in Canada, mostly of standard saloon cars. In neither market has the British commercial vehicle, for all its success in certain other markets where it has competed very successfully with North American products, achieved substantial and enduring sales.

Terms for Trade-Ins

A REVIEW of the second-hand car market in these columns in March, 1952, showed that almost all popular-priced cars built since the war were then selling above the list prices (including purchase tax) of new cars; two-year-old cars of the lower price range were commanding a premium of about 50 per cent and five-year-old cars a premium of about 10 per cent. In the medium price range two-year-old cars were about 7 per cent and five-year-old cars about 37 per cent below list price. It was clear that the prewar pattern would one day reassert itself—that is, year-old cars selling at about 75 per cent of the list price, with a reduction of about 20 per cent of the diminishing values in each subsequent year.

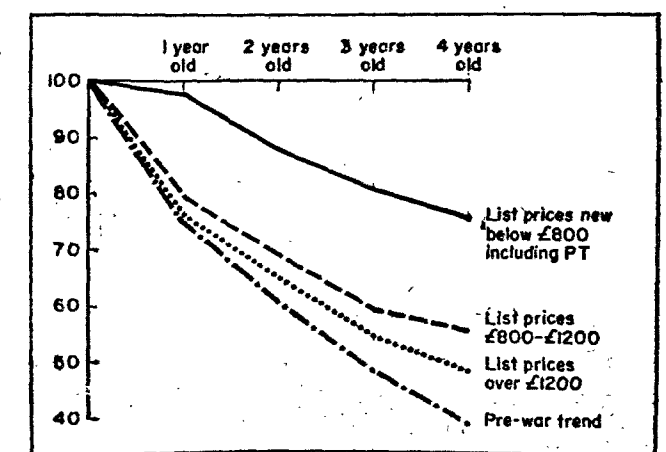
A second article last March showed that second-hand car prices declined sharply in the following year, but in the last six months demand for both new and second-hand cars strengthened. Despite the fact that new registrations totalled 133,732 for the first six months of this year, against 80,871 in the first half of 1952, prices of second-hand cars have been distinctly firm.

A few months ago there were very few models which could not be obtained either "off the peg" or after a wait no longer than would have been customary before the war for a car which was selling well. Today, a longer wait may be necessary for delivery of any of the more popular models, or even for expensive cars, such as the Jaguar Mark VII, which are selling well; and the public is ready to pay up to the list price for year-old cars of the more popular models in first-class condition.

In the United States, until recently, the rate of depreciation of used car prices was rather higher than the prewar average of about 2 per cent per month; but American prices of used cars have also become firmer and are now roughly in line with prewar experience.

The present state of the second-hand car market is shown in the graph. It is divided into three groups—cars with a list price below £800, between £800 and £1,200, and above £1,200. The second-hand prices refer to cars basically the same as those still current. Thus a one-year-old car listed

TREND OF SECOND-HAND CAR PRICES



below £800 still fetches almost the full list price, and about three-quarters of its list price when it is four years old. The steepest fall in second-hand values applies to cars listed above £1,200, which cannot be sold for half their list price at four years old. But all second-hand values are still well above prewar levels.

BRITISH EUROPEAN AIRWAYS invite applications for a post in their recently formed Organisation and Methods Branch. The person selected will be responsible for the investigation and development of office methods and accounting and other paper work systems. Applicants should have a University Degree, preferably in Engineering, Science, or Mathematics, or a professional qualification in Engineering or Accountancy; some years' experience in a position of responsibility; and recent experience of methods study. A knowledge of office machines and equipment, including punched card equipment, is also desirable. Salary within the scale £875-£1,175 per annum. Pensions scheme.—Applications, giving full details of age, qualifications, experience and when available, to the Chief Personnel Officer, B.E.A., Keyline House, Ruislip, Middlesex. Closing date November 15, 1953. Persons who answered a similar advertisement in July last should not re-apply.

TUTOR required by Foreign Office (German Section) for Wilton Park Steyning, Sussex. Must be able to conduct small discussion groups in German. Qualifications: British university graduates in one of the social sciences with good background knowledge of institutions and history of Great Britain and Germany. Preference given to specialists in industrial relations. Salary £685 by seven increments to £870. Point of entry according to qualifications. Write, giving date of birth, education, full details of qualifications and experience of posts held (including dates), to Appointments Officer, Ministry of Labour and National Service, 1-6 Tavistock Square, W.C.1, quoting E.C.930, by November 7, 1953. No original testimonials should be sent. Only candidates selected for interview will be advised.

ASLIB (formerly known as Association of Special Libraries and Information Bureaux) proposes to appoint an Assistant Director with particular responsibility for research into documentation methods, costs, etc. Experience in a special library, information department or organisation and methods department is essential and a university training is desirable. Salary on a scale £700 x £30 would be an additional qualification. Some administrative experience to £1,000 per annum, plus superannuation similar to F.S.S.U. An exceptional candidate would start high on this scale.—Applications should be submitted as soon as possible to the Director, Aslib, 4 Palace Gate, London, W.8.

AN expanding Company requires the services of a woman graduate to undertake field and office control of a National Retailer Panel. A knowledge of statistics would be an advantage, as the work entails maintaining a panel at full strength, checking field work, organising office routine and the appreciation of findings in collaboration with the staff Statistician. Salary not less than £625 per annum and the benefits of a non-contributory pension scheme.—Box 366.

ACTUARY: An exceptional opportunity occurs for a qualified Actuary anxious to make a career in Consulting work. Age limit 35 years, but younger man preferred. Although the post offered is, in the first instance, on the staff, the right man, who will also possess the necessary personality and ability to mix, will be offered an early partnership, probably in about 18 months or less. Full details of career to date should be given, including initial remuneration required. All applications will be treated as strictly confidential, should be marked "Actuary," and sent to Duncan C. Fraser and Co., 18 Hackins Hey, Liverpool, 2.

ADVERTISER, late 30s, seeks appointment as Senior Marketing Executive in progressive company of national standing. Wide experience with front rank companies in Home and Export, Advtg., Mktg., Sales Prom. and Production problems. Languages.—Box 368.

YOUNG ACTUARY, experienced security analysis, brokers' reviews and circulars, requires post with substantial firm of stockbrokers, or institution. Salary £1,500 p.a.—Box 364.

LADY, recently returned from America, with wide contacts in Newspaper world, Hotel, Catering, Tourism, energetic and resourceful, has limited company, no liabilities. Invaluable to someone requiring enterprising assistant to help work up business, particularly where American contacts useful.—Box 363.

LADY, early 30s, Australian born, American citizen, 12 years' business experience, including U.S.A., seeks lucrative and responsible position as confidential secretary or administrative assistant. Drives car. Willing to travel.—Box 363.

SOLICITOR (39), 21 years in charge legal department large commercial firm West Africa, seeks commercial or legal appointment in London.—Box 359.

TWO NEW PELICAN BOOKS.—"The Chemical Industry" by T. I. Williams (2s.) and "Balance Carried Forward" by R. R. Coomber (2s. 6d.).—Full list of titles available from Penguin Books Ltd., Harmondsworth, Middlesex.

SALES EXECUTIVE post wanted by young graduate (26) who, with three years' experience in market research and the preparation of market appreciations behind him, now wishes to change over to a more practical commercial job. A business dealing with the mass market, where this experience would be of most value, is preferred.—Box 358.



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DEPARTMENT OF SCIENTIFIC AND INDUSTRIAL RESEARCH require one Principal Scientific Officer (minimum age 31 years) and one Scientific Officer (minimum age 21 years), unestablished posts, in Headquarters Office for work on economic problems associated with application of scientific research and development to industrial processes; 1st or 2nd class Hons. degree in Economics required; for P.S.O. 1st or 2nd class Hons. degree in Science with economics or operational research experience acceptable. Appointment for three years only. Inclusive remuneration (45 hour week within range, P.S.O. (men) £1,161-£1,559; S.O. (men) £475-£877; rather less for women.

Write, giving date of birth, education, full details of qualifications and experience of posts held (including dates), to Appointments Officer, Ministry of Labour and National Service, 1-6, Tavistock Square, W.C.1, quoting E.D.858/859, by November 7, 1953.

No original testimonials should be sent. Only candidates selected for interview will be advised.

CHARTERED ACCOUNTANT with several years' service as H.M. Inspector of Taxes seeks an opportunity of joining a large Industrial Group, to initiate or assume charge of existing Taxation Department for control and supervision of the global tax liabilities of the Group.—Box 365.

PRODUCTION EXECUTIVE required by progressive Glasgow Company. The position is an executive one involving control of a department mass-producing specialised food lines. A Chemistry or Engineering Degree, though not essential, will be regarded as an asset. Commencing salary £1,250 a year, plus expenses. Full particulars of age, qualifications and experience will be treated with the strictest confidence.—Box 361.

MANAGEMENT Consultants are required by the Wallace Attwood Company. Applicants between the ages of 30 and 45 must possess a University degree or technical equivalent in engineering and have held responsible executive positions. A thorough practical and current knowledge of the organisation and routines of industrial concerns is essential. Substantial salary and excellent prospects available.—Replies in confidence to Chantrey House, Eccleston St. S.W.1.

EXECUTIVE required for senior position in London Office of expanding virile export organisation. Exceptional opportunity for man with ability to match ambition. Experience in selling office machines and sales or export administration essential. Must be prepared some travelling overseas. Age 28-38. Initial salary not less than £850. Consideration only to those stating fully age, education, languages, posts held, present salary. All applications will be answered and treated in strictest confidence.—Box 357.

ECONOMIST WANTED, able to write briefs for business man *ad hoc* following subjects: Commonwealth Trade, GATT, Joint Stock Banking. Remunerative fees paid or would employ part-time if preferred. State age and experience.—Box 362.

ACTUARIAL CLERK required for position offering experience in all types of actuarial work in Life Assurance and Permanent Sickness and Accident Insurance. Applicants should be working for Parts 1 or 2 of the Institute Examinations.—Write to the Manager, and Actuary, Medical Sickness Society, Limited, 7, Cavendish Square, London, W.1.

ADVERTISING MANAGER wanted with thorough appreciation of advertising and promotional programmes. Write, giving background details to Box 367.

MANUFACTURERS and others interested in developing Italian markets invited contact gentleman (English) with high-level connections. Only propositions with large or medium-sized potential considered. References required and given.—Box 360.

I WANT to become a Surtax payer (in due course). I have an Honours Degree in Economics, a sound, practical knowledge of all aspects of Export, selling experience at home and abroad, a knowledge of French and German and a liking for sales promotion and advertising. Age 33.—Reply to Box 355.

PERSON, age 25-35, with literary flair for writing articles, and who has engineering background, required by large company for work connected with internal publicity. Must be able to liaise, bright ideas and think up material for articles on production, methods, time study, foremanship and general management.—Box 352.

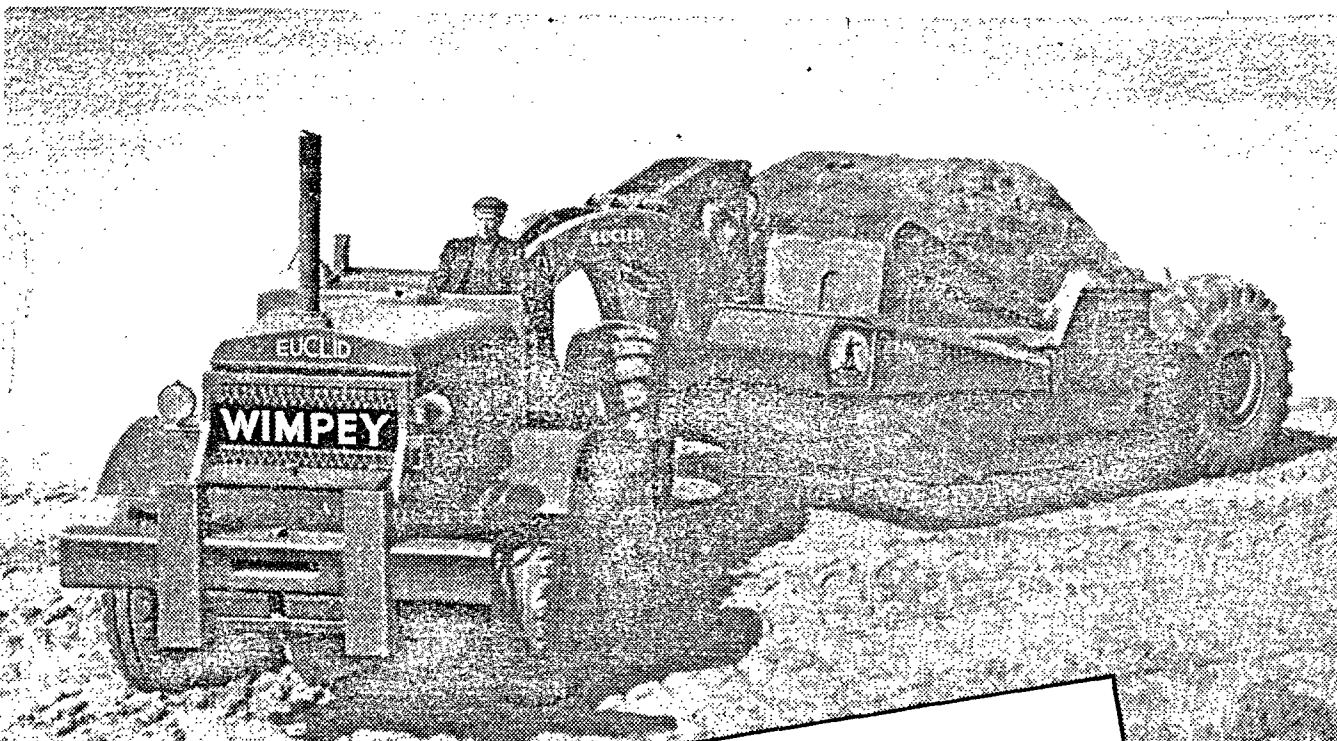
ENGINEERING HONOURS GRADUATE (Cambridge), aged 50, retiring from administrative service abroad, seeks occupation in scientific or operational research. Somewhat obsolete technically but could relieve scientists of administrative routine. Satisfied with small salary to supplement pension.—Box 350.

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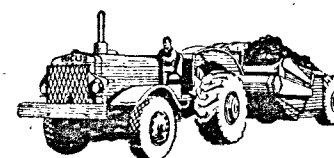
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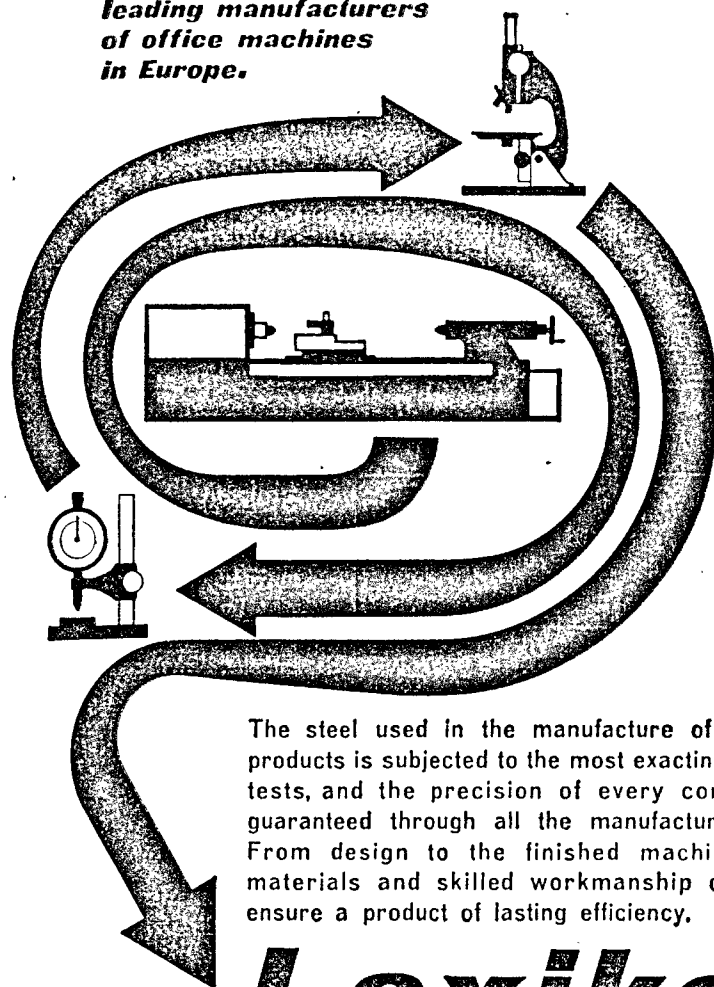
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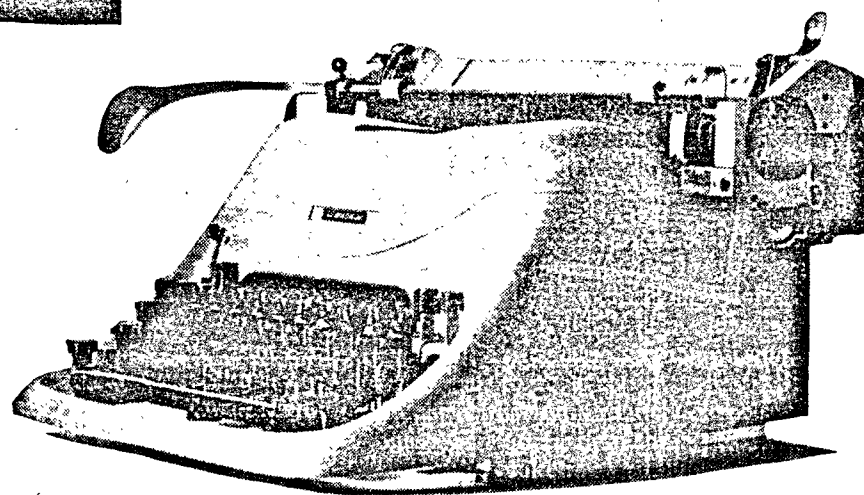


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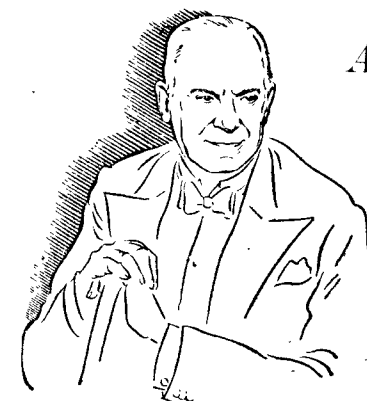


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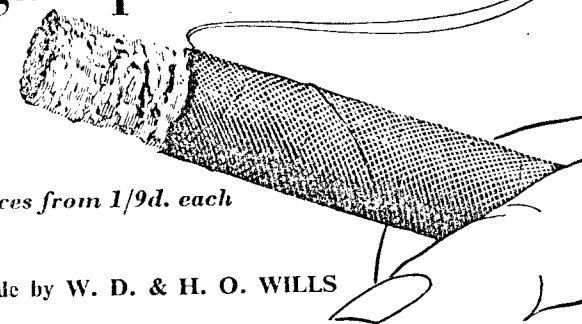


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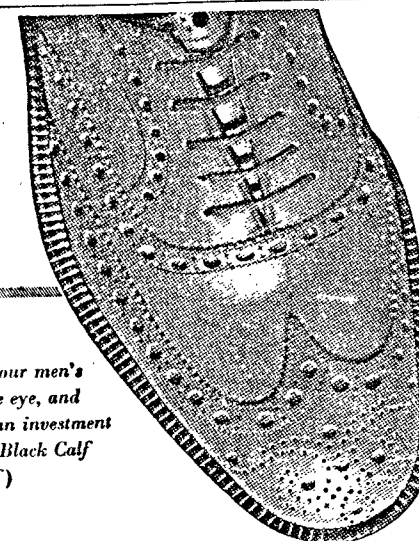


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The Sixth and Final Volume

IN the context of 1953 this last volume of Sir Winston Churchill's War Memoirs is the most enthralling. It is an account not so much of the series of great victories that ended the War as the story of the personal negotiations between Churchill, Stalin and Roosevelt, and later Truman, about the shaping of the post-war world.

In American eyes, at least, the word Yalta has become synonymous with Munich. Sir Winston now tells what really was agreed there and in what manner the Russians voided their pledges.

Equally absorbing is his account of how the Western armies failed to carry out the occupation of Berlin, Vienna and Prague, all of which would have had a profound effect upon the present situation. How, too, America's feeling that British "ambition" after the war must be curbed led to fatal divergence between American and British dealings with Russia.

The whole volume is summed up in Sir Winston's words "How the Great Democracies triumphed, and so were able to resume the follies which had so nearly cost them their life".

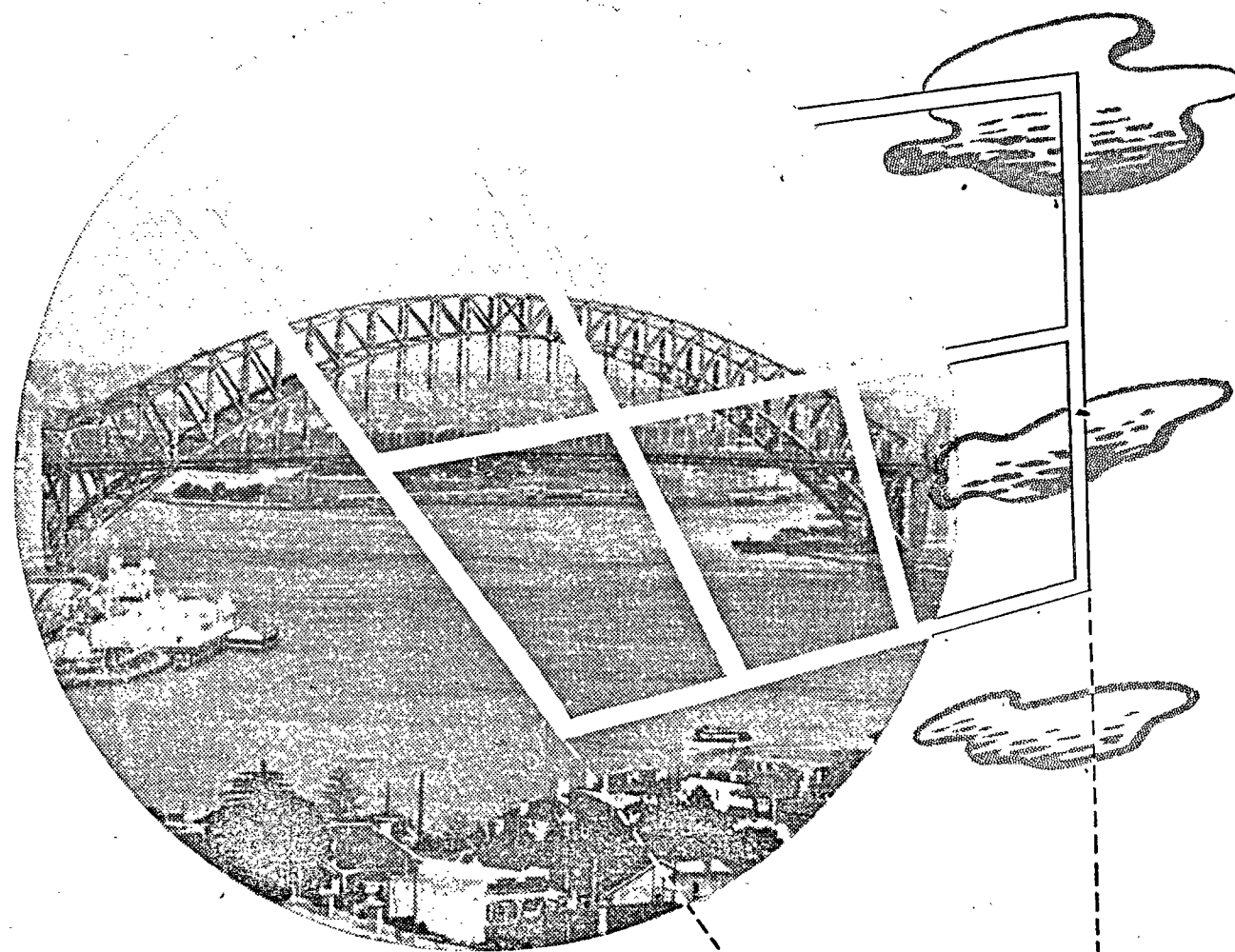
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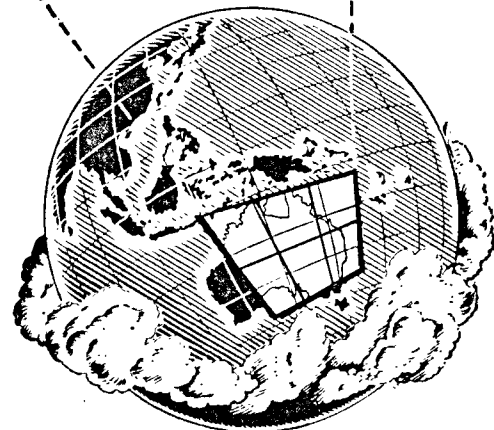
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The Economist

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OCTOBER 31, 1953

ONE SHILLING

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Politicians and Trustees

NEXT Tuesday the Government will enter its third Parliamentary session with the specifically party measures in its legislative programme at last disposed of: steel and road transport are being returned to private ownership. Appropriately, the last days of the old session have been largely occupied with the industries where public ownership continues. There have been debates on the annual reports of the nationalised undertakings—transport, the fuel and power industries, and the air corporations.

These debates were to have been, in the theory of 1945, the grand inquests which showed that whole industries were run not for private greed nor for bureaucratic empire-building, but for the public good. It was by this means that the very concept of the public corporation, accountable to Parliament for its custodianship of the people's railways or power stations, was to be justified. In practice, the debates have become, in the eyes of politicians and public, an accepted means of filling in the overhanging ends of sessions whose real business has been completed months before. That timing is a fair enough reflection of the value of the debates as they have been. Some members talk objectively and well about minor issues; some members take up local grievances or ride particular hobby horses; most members see the debate as one more stage in the attack and defence of established party doctrines.

Until 1951, all this was hardly avoidable. The Minister who moved that the House should take note of some corporation's report was defending his own creation; he had to defend it the more extensively and dogmatically because he knew so well that its performance had disappointed him and everyone else. Similarly, an Opposition scenting blood was disposed to attack wholesale the Minister, his creature and its doings, and the whole principle of public ownership. The reversal of roles two years ago, with the creators of the nationalised industries become the Opposition, has so far made disappointingly little difference. The debates have continued to be used only to a secondary extent as trustees' meetings at which the policy and performance of the public corporations are seriously and fairly examined; to a much greater extent they have remained an occasion on which the partisans of private and public enterprise—armed with whatever useful ammunition might be selected from the most recent annual reports—have refought old battles and reiterated old warcries.

If this went on much longer, it would be time to despair of ever subjecting nationalised industry to the broad public control without which it loses all relation to the theory of democratic socialism. Fortunately, there is no reason why this failure should go on. It could be excused while the Bills denationalising steel and road transport were before Parliament and the general issue of public versus private ownership was thus kept in the forefront of politics. For the rest of this Parliament, both sides can surely feel that they will bring themselves no electoral benefit by rehashing stale controversies.

Signs of this realisation may, indeed, be detected in the contrasting tone and content of the recent debates. Inevitably, the dust of battle hung quite thickly over last week's transport debate; the Transport Commission's report had complained that plans for integration which were just maturing had been impeded by the denationalisation of road haulage. Labour therefore had an obvious and legitimate opportunity to renew, in effect, the debate on denationalisation; and the Government spokesmen were consequently defending a salient in a party line, though the tone of their speeches was nevertheless commendably objective.

This week's debate on fuel and power showed, by contrast, a new and more promising stage in the development of Parliamentary criticism of the nationalised industries. Here there is no salient but a recognised frontier that no one proposes to move. Such matters as absenteeism, output per man-shift, and redundancy in obsolete pits would once have been debated in the ringing tones of class warfare; this week they were discussed in a manner so objective and sympathetic that it would not always have been easy, without looking, to credit each speech to the proper side of the House. In terms of party politics, if not of economics, the administration of the coal mines is at last on a fairly even keel, and both parties can concentrate on the objectives of coal policy and the merits and demerits of the means the Coal Board is using. That still provides plenty of scope for differences on party lines. The Conservative bias will always be, presumably, towards running the nationalised industries as much as possible like other businesses—not always a very helpful criterion. Labour, on the other hand, will no doubt remain too disposed to identify national ownership with highly centralised management, as well as to elevate wider and vaguer notions of social benefit above the corporation's financial obligation to pay its way.

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But these are differences of emphasis. The politicians have moved far from the days of absolute opposition between Labour members determined to hold the structure set up in 1946 sacrosanct in every detail and, on the other side, Conservatives who would admit nothing but evil in the Coal Board, though they did not propose denationalisation. The Minister of Fuel's account of the latest moves towards improving the structure of the coal industry was confused, and it would be rash to assume at this stage that much good is going to be done. But at least the possibility of managerial changes, without doctrinal controversy or automatic trade union hostility, is no longer ruled out. This week's debate showed that at last a nationalised industry does not have to be treated as either a golden cow or a red rag. That is an important gain.

It rests not only on a more objective and less partisan spirit in Parliament. Occasional wide-ranging debates, based in most cases on annual reports for a year and

more ago, will never in themselves make the corporations in any real sense accountable to the public. The main responsibility of acting as trustee of the public interest must always lie with the Minister. For the men who carried out nationalisation that was extraordinarily difficult. Inevitably, they were less watchdogs on behalf of the public than counsel for the defence, or even mere public relations officers. Conservative ministers, if they had given too much scope to their party's instinctive hostility to nationalisation, might have moved too far towards the opposite role of counsel for the prosecution. That temptation and its attendant dangers have fortunately been avoided. The proper relationship between a minister and a public board is something quite novel and it is still far from being clearly defined. But after two years of Conservative responsibility it is possible to feel that some compromise is being evolved, and to hope that the next Labour ministers will not feel themselves driven back to the role of partisan champions.

Such hopes depend on the fact of nationalisation in the public utilities being genuinely and plainly an accomplished fact. Threats of denationalisation and renationalisation, the atmosphere of frontier raids and suspected territorial ambitions, must be dissipated. An important step to this end could be taken from the Government side. It is, after all, the Conservatives who have most recently moved the frontier between public and private ownership; one further move, for cotton buying, is rightly in prospect. It would surely be appropriate to make an entirely forthright declaration that this is the end of the process: for all other industries, the concern of the Conservatives is now to make nationalisation work and to save industry from further upheavals of ownership. Frontbench policy in this respect is not, indeed, in any serious doubt. But its blunt reaffirmation should be effective in stopping the partisan sniping against the public corporations that is still conducted from the backbenches and from Tory meetings in the country.

The response from the Labour side could hardly be one that would remove the nationalised industries entirely from the scope of party controversy. Their experience will continue to be watched in the hope of obtaining arguments either for or against further nationalisation. But that need not prevent both parties from now looking at the corporations much less as politicians and much more as trustees, concerned about the proper running of public property by methods that are broadly agreed. It is only in this spirit that the task will be well done; and those who now bear political responsibility for the public corporations have an equal interest in their efficiency with those who created them.

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Freer Trade in Europe

THE session of the Organisation for European Economic Co-operation which has been meeting in Paris this week is likely to prove a crucial one and of far greater importance to the trade and prosperity of the free European countries than has generally been recognised. One of the few successful international ventures in the economic field since the end of the war has been the programme of European trade "liberalisation" carried out by the OEEC. The title is immodest—or else it is a reflection of the lowered ambitions of a world grown cynical—since nothing more has been in question than the removal of quotas and other quantitative restrictions to trade among the members of OEEC. A country can be 100 per cent "liberalised" and still have a mountainous tariff wall round its market. But tariff duties, bad as they may be, are nothing like as final an obstruction to trade as a system of quotas.

Up to the middle of 1951, the achievement of liberalisation was considerable. There were few members of OEEC which had not attained the target of liberalising 75 per cent of their private trade, and many had gone considerably further. The reappearance, two years ago, of large deficits in the balances of payments of several European countries, however, led to a period of backsliding. The largest debtors, and therefore the worst backsliders, unfortunately, were OEEC's most important members, France and the United Kingdom. The percentage of "liberalised" imports into the United Kingdom fell to 44, and in France to zero. These moves by two such large trading countries might well have led to a general desertion by all the others. Fortunately, that has not happened, and some countries have even continued the process of relaxation. But there are now signs that this state of affairs will not last much longer. Either the defaulters will give some earnest of their intention to come back into line, or else the other European countries will move away from liberalisation. Countries like Italy and Belgium, which have liberalised more than 90 per cent of their imports, now threaten to beat a retreat unless they receive greater reciprocity. Some have begun to experience difficulties in their own balances of payments, which they are inclined to blame at least in part on the French and British restrictions. European trade has clearly reached a branching of the ways. Unless new momentum can be put behind the trade programme of OEEC, the present partners will, one by one, straggle off, each of them seeking to attain security and stability by restrictionism and isolation.

The choice between the alternatives really rests with the British Government. It is true that France is as much a defaulter from liberalisation as Britain—indeed, far more so. But France is still paralysed by the incompetence of its domestic financial policies. In spite of the

total suspension of liberalised imports, France has now accumulated a deficit with the European Payments Union of over \$850 million and each month brings a further addition to the total. Exports are maintained at their current level only with the aid of special subsidies. France, in short, is operating an economy built on a permanent deficit, an achievement made possible only by the continued and massive receipt of American aid. It is quite apparent that, until such time as the internal political situation in France, now frozen by the impending Presidential election, permits that devaluation of the franc which has clearly become imperative, any suggestion for an increase of French imports is academic in the extreme. The delegates to OEEC do not expect more from their French colleague than a gesture for the present and a promise for the future.

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From Britain much more was expected. The British economy has recovered, as Ministers have been proclaiming to their domestic audiences. If the emergency which was cited as the reason for the suspension of liberalisation two years ago has passed away, cannot the restrictions now be removed? At the moment, 58 per cent of the United Kingdom's imports on private account are "liberalised," and, though this is better than the 44 per cent of a year ago, it is still a long way below the minimum of 75 per cent to which the members of OEEC are pledged in principle. The statement of Britain's intentions that the Chancellor of the Exchequer made on Thursday was therefore awaited with some anxiety. To European eyes, British policy has seemed in recent months to be turning away from the Continent rather than towards it. The episode of the convertibility plan—or, more accurately, the clumsy way in which it was handled—gave birth to this suspicion; the attacks made at the Conservative Conference on Gatt, coinciding with a British request to be released from some of its obligations, served as confirmation. It was thought that the somewhat less buoyant state of the British balance of payments in the last few months would be taken as an excuse for a timid approach. Reports had been current that the British Government intended to increase its percentage of liberalisation only to some 65 per cent. This would have been regarded as better than nothing, but hardly as enough to rekindle some fire of enthusiasm beneath the programme of developing European trade.

Mr Butler's announcement that the target was to be, not 65 per cent, but 75 per cent (including an increase in the travel allowance from £40 to £50), will therefore have come as a welcome surprise to the delegates in Paris. This is a bold step, and though Europeans would

argue that there was a moral obligation on Britain to do something of the sort, it is only fair to point out that there was no shadow of a legal obligation under the principles of the liberalisation programme. Britain's accumulated debit balance with the EPU is still as large as \$200 million, and though the recent monthly settlements have not added to this figure, they have not greatly reduced it. It is being done as a deliberate encouragement to the movement towards freer trade in Europe. Unquestionably, however, it is also in Britain's own interest, since few things could be more harmful to the British export trade than a general movement among the members of OEEC towards a reimposition of quotas on their imports. The possibility of a general economic recession spreading from the other side of the Atlantic, which might have been pleaded as an excuse for timidity, is really another justification of boldness. Those whose memories reach back to 1930 and 1931 will recall what a commonplace it was in those days to deplore the vicious downward spiral of mutual restrictions imposed by the European countries. If such a process starts, it becomes compulsory for each country to join in, just as the coolest-headed man caught in a theatre fire will join in the rush for the doors if it once starts. The only protection against a *sauve qui peut* is a prior mutual obligation to maintain the volume both of imports and of exports among an important group of trading nations.

Mr Butler can reasonably hope that his speech on Thursday will have contributed to a reinvigoration of the movement towards freer trade in Europe. But what is being attempted in Paris this week is really no more than a rescue operation, an effort to get back to the position that was first reached two years ago. Much more will be required before European trade is liberalised in fact as well as in name. There are three main hurdles to be surmounted.

The first is the chronic economic anaemia of France.

Malenkov Looks for a Line

AT one moment last spring it seemed that the death of Stalin had set off a new revolution, full of dramatic possibilities. Lately, however, there has been a sense of anti-climax in the Soviet scene, as if the second act of a play were being performed with no idea of what would happen in the third. When Malenkov took over, there was no upheaval, only smothered convulsions, their most dramatic symptom being the liquidation of the powerful Beria faction. Yet, when Sir Winston Churchill made his famous speech of May 11th there seemed much to justify his reference to the change of attitude, and, we all hope, of mind, which has taken place in the Soviet domain, and particularly in the Kremlin, since the death of Stalin.

He added a warning against action that might impede "any spontaneous and healthy evolution which may be

To cure that is, of course, a task for the French themselves; but it would be a false courtesy to refrain from warning them that their neighbours will not indefinitely abet them in living beyond their means.

The second task is to see whether the principles of liberalisation cannot be extended to agricultural products, which have hitherto been almost untouched by the programme. The importance of this lies not only in the fact that several European countries—Denmark chief among them—are largely dependent on agricultural exports and have hitherto received less than their fair share of the benefits of liberalisation. It also lies at the root of the philosophy which inspires all movements towards freer trade, the first and greatest of whose benefits ought to be a lower cost of living for the people.

Thirdly, means will have to be further sought for preventing those sudden crises in a nation's balance of payments which at present have to be admitted as a valid reason for escaping from the obligations of liberalisation. This brings the argument back to currency, since the proximate reason for these crises clearly lies in the fact that there is, in the world's present arrangements, no automatic corrective mechanism, such as the old gold standard used to provide, constantly at work to prevent deficits or surpluses from cumulating until they reach crisis proportions. If there is to be a crisis-proof system of international trade, it will have to include some such "thermostatic" control. And if the nations are not prepared to move back to the gold standard and submit their domestic policies once more to its disciplines, they will have to move in the direction of much more flexible exchange rates. By one means or another such massive maladjustment as that which now afflicts France, or from which Britain suffered in 1949 and again in 1951, will have to be corrected in their early stage if international trade is not to limp from one restrictionist crisis to another.

taking place inside Russia." How do the prophecy and the exhortation look now, six months later?

Sir Winston's carefully qualified words reflected the almost universal reaction in the West to the news of successive gestures made by Malenkov and his colleagues not only to the outside world but also, in the form of amnesties and propaganda about civil rights and justice for racial minorities, to their own Soviet subjects and to the satellite countries. The Kremlin seemed to be turning, slowly but perceptibly, on to a more liberal bearing than Stalin had ever permitted. But since the fall of Beria the news from Moscow has changed. The flow of gestures has dried up; nationalist tendencies among Soviet minority peoples have been repressed again, and there is no more talk of civil rights. Are we back to Stalinism—but without Stalin?

It may be easier to answer these questions after next week's celebration of the anniversary of the Bolshevik revolution. Up to now, there is little solid evidence to go on. Except for the almost unprecedented volume of economic information, the news from Moscow remains curt and cryptic. It leaves unanswered all the really big questions. Biggest of these, and the hardest to answer, is the question about the internal situation on which present Soviet foreign policy is founded. This enigma may be broken down into more precisely formulated questions. What is Malenkov's personal position now? Could he speak for the Soviet Union in a conference with the British Prime Minister? Why is it that the new Soviet government seems much more vigorous in its economic policy than in the handling of its political affairs?

An aid to analysis, to be used only with due caution, may be found if Malenkov's position is related to that of a prime minister in a country, such as France, which lacks a stable parliamentary majority. Malenkov has no need to count heads in the Supreme Soviet when that docile body is convened; but his first concern must be to ensure for himself, inside and outside the Kremlin, the backing of a majority among the rival groups in the struggle for power that Stalin's death unleashed. This is no mere business of playing off against one another the army and the security police, the peasants and the urban proletariat. The Beria crisis revealed that the rivalries reach to the topmost pinnacles of power and penetrate the inmost sanctuaries of the Communist party itself. To remain on the throne for which Stalin anointed him, Malenkov has to win over or browbeat enough of his restive court to enable him to proceed ruthlessly against pretenders.

In this he has shown great skill. Although surrounded now by men like Khrushchev, Bulganin and Zhukov, whose hands have been strengthened—and their ambitions doubtless whetted—by the elimination of Stalin and Beria and the decline of rival stars, Malenkov has steered a course which, while involving some abrupt changes of direction, has assured a majority at all critical moments. But it seems not to be always the same majority. He may, for example, have downed Beria by branding him as a rash liberaliser, thus gaining the support of the Stalinist diehards; he may now be conciliating Beria's surviving supporters by adopting some of the purged man's policies—but in so doing he must again arouse the suspicions of the diehards. In these circumstances not even the most skilful of middle courses can be steered indefinitely.

Similar difficulties confront Malenkov and Molotov outside the Soviet frontiers. Mao Tse-tung has now made Peking a second Moscow (or fourth Rome); his price is higher than in Stalin's time, and he demands not only political support but also an almost limitless amount of economic aid. The European satellites, too,

are clamouring at least for the easing of the economic burdens laid on them by Moscow. Malenkov, from his uneasy throne, cannot silence these clamours as easily as Stalin did. How long will it be before these concessions to China and the satellites collide with the demands of the new programme of economic concessions to the masses at home?

It is precisely over these domestic economic concessions—again enlarged by Mikoyan, the trade minister, only this week—that the most interesting questions arise. Malenkov seems to have failed to muster a majority behind any new political programme, either at home or abroad; but his government has plunged boldly into a new economic policy in which, for the first time, the Soviet consumer has been given a place of consideration. This is a gamble that must disturb many of the Soviet leaders. The marshals may see in it a threat to a decade of massive military budgets; the diehards can hardly surrender without qualms the absolute priority hitherto given to heavy industry. How have the groups that blocked the "Beria" policy of liberalisation and of civil rights been persuaded to accept these concessions to consumer and peasant?

The agreement that has been reached here would seem to be an agreement under pressure from below. The long suppressed demand of the Soviet masses for better living conditions has forced itself to the surface. Stalin's death evidently encouraged their hopes; the talk of civil liberties earlier this year emboldened them

Education and Sanitation

Sanitary evils and strikes [according to Mr Cobden] are both owing to the want of intelligence amongst the people, after Parliament and the Executive Government have taken education into their consideration and adopted sundry measures with regard to it, off and on, for half a century past. Very soon after 1800 Joseph Lancaster began to draw attention to the subject; George III gave him some support; and ever since the question of education has more or less continually occupied the attention of the public and of Parliament. . . . The result of our vast appliances to promote education and intelligence are complete and conspicuous failures. Is it not time, therefore, to express doubt whether our system be adapted to the end proposed? . . . By inculcating observation, it might be supposed to sharpen the faculties, and so prepare men to learn and to profit by the events of the material world. But the general system of education for the multitude scarcely does this. It may almost be doubted whether it be not even positively injurious in this respect. It teaches them directly to disregard the world about them, and fixes their attention on something very different. At least our common school education does not teach that observation of external objects, and that exercise of the senses, which enables people to find out and obey the laws of health, and the laws which govern the production and distribution of wealth. We do not so much need new appliances to inculcate intelligence as to overhaul the old institutions long ago established for this purpose, and adapt them to modern times.

The Economist

October 29, 1853

to express themselves; Beria himself, according to his accusers, led the peasants to expect exactly the kind of concessions that are now being granted to them. The lid once lifted, it was obvious that it could not be screwed down as tightly as before without risk of explosion. So, while civil rights vanished from the propaganda curriculum, even the diehards felt they must accept Malenkov's proposal for an economic new deal for the common man. Agreement on a move in this direction does not, however, imply agreement on its scale. The diehards and soldiers might be expected to argue that Malenkov's new economic policy would be wise and safe only if it accompanied a move towards a genuine relaxation of international tensions, a relaxation real enough to permit a fair measure of disarmament and a slowing down of the race for industrial equality with the West.

Yet no such move is taking place. The gestures made during Malenkov's first hundred days of power have all but petered out. If the iciness of Stalin's international policies showed signs of breaking up in the

spring, winter is now setting in again. There may be no return to a hard frost; for those in Moscow who sponsored the wooing gestures earlier this year can point to the substantial results they obtained at small cost. But the results were not quite good enough; the East German rising in June and Dr Adenauer's electoral victory showed the limitations of the policy. On present form, the West can now expect nothing more than frigid flirtation—a selective courtship of the frailer of the western allies; and even that does not seem to be based on firm and agreed intentions in Moscow.

All the evidence to date suggests, indeed, that the much-advertised "collective leadership" in the Kremlin has still to agree on a comprehensive policy. Malenkov the manager is being permitted to put the Soviet economic house in order; but that is all. In the international sphere, Soviet tactics have become pragmatic, almost Fabian; there is a clear intention to avoid engagement with the adversary, to stay away from any conference table at which firm decisions would have to be taken—in one word, to stall.

Liberty and Lunacy

IT would be tempting to regard the new Royal Commission on the lunacy laws as the outcome of a case that has recently received much publicity; that of the fourteen-year-old girl under "care and protection" who was sent to a mental hospital. Perhaps the timing of the announcement had something to do with this case. But periodic Royal Commissions are proper to a field in which medical knowledge and public opinion can change rapidly. The time had come for a reconsideration of the laws, especially in view of the changes brought about by the national health service.

The new Royal Commission is to consider the law and administrative machinery relating both to mental illness and to mental deficiency. The distinction between the two, though clear enough in most cases, is sometimes blurred, and it may be a patient's age when he first seeks treatment that determines whether he is regarded as mentally ill or defective. Legally, however, the distinction is sharp. The legislation on mental illness has developed from the Lunacy Act of 1890. The first Act dealing with mental defect was not passed until 1913.

Yet the two sets of laws are inspired by the same principle. Their purpose is to protect the public from damage to life and property that might be inflicted by the insane and defectives; to ensure humane care and treatment for them; to protect their own property and to preserve as far as possible their civil rights. By the Act of 1890, the interests of certified patients, detained under a magistrate's order, were put under the protection of the Board of Control, and their property

rights were safeguarded by the Court of Protection and the Lord Chancellor and his officers.

These arrangements for protecting certified patients have stood the test of time and work well in practice. But they do not overcome the stigma of certification, with all that it implies of enforced detention. Perhaps this stigma might be less pronounced if there were a more general awareness of relatives' rights under section 72 of the Lunacy Act. The nearest relative can, at any time, order the discharge of a certified patient even against the advice of the hospital. The superintendent has power to issue a "barring certificate" only if he considers the patient dangerous or unfit to be at large, and this power is used very rarely.

Thus, even certified patients can leave a mental hospital if their relatives wish it. Nevertheless, certification imposes a sharp legal distinction—similar to the distinction, also carrying a stigma, that used to be imposed under the poor law on those entering institutions. People would always be reluctant to seek treatment if they had to be singled out in this way; and after 1890 reform was concentrated on enabling them to enter and leave mental hospitals of their own free will, without having to submit to the special legal process of certification. The culmination of these efforts was the Mental Treatment Act of 1930. Since then people have been able to apply for admission as voluntary patients by signing a form. On the same form, they undertake to give three days' notice of their intention if they wish to leave; but there is no power to bring them back when they simply walk out.

Voluntary admission to a mental hospital has proved great help to those suffering from the less serious—and more transient—forms of mental disorder. It has also done more than anything else to remove the stigma associated with mental hospitals and to improve their atmosphere. Freedom from restraint, varied occupations, clubs, canteens, shops and open—that is, unlocked—wards are now ordinary features of mental hospitals and would have been introduced in any case; but they appeared more quickly with the arrival of large numbers of voluntary patients, and all but the most disturbed of the certified patients share their benefits.

Over the whole of England and Wales 60 per cent of new cases admitted to mental hospitals—as distinct from the chronic cases who form the bulk of their population—are now voluntary patients; in some hospitals the proportion is as high as 90 per cent. But a few people object to signing a form of any sort. Since 1948, the Maudsley Hospital has been able to take such cases without any formality at all—without even informing the Board of Control—and early this year the same facility was introduced experimentally in certain hospitals in one of the metropolitan regions.

Voluntary patients have to be capable of showing their willingness to enter hospital. There are some patients, however, who are too ill to express their willingness or unwillingness. If they are likely to benefit from treatment, they can avoid being certified by being admitted to hospital "temporarily" and can be kept in hospital on this basis for as long as a year. This provision of the Mental Treatment Act has proved useful in, for instance, the temporary insanity that sometimes follows childbirth; and presumably the Royal Commission will consider whether it should be widened.

In London and a few other places, another device for avoiding certification is the observation ward of a general hospital. The official who has inherited the mental illness functions of the old poor law relieving officer—the "duly authorised officer"—can send urgent cases for observation lasting for up to seventeen days. In London last year, only 35 per cent of the patients admitted to observation wards had subsequently to be certified. Twenty-five per cent became voluntary patients in mental hospitals, and most of the remainder did not have to be admitted to a mental hospital at all. It is, therefore, unfortunate that since 1948 so many observation wards have been diverted to other uses. Because of the shortage of observation beds more people than need be have to be admitted direct to a mental hospital, and if they refuse to come as voluntary patients they may have to be certified.

One of the major questions facing the Royal Commission is whether certification could sometimes be avoided for mental defectives as it can be for the mentally ill. At present, a local health authority has

the duty of "ascertaining" the mental defectives in its area; ascertainment is based on social incompetence, on the defective's inability to look after himself or to be taught to do so. But anyone thus deemed a defective is not necessarily certified. Certification, by a magistrate's order, follows, as a rule, only if the defective's condition is bad enough to make his removal to an institution, or to the care of a guardian, desirable in his own interests. Once moved to more favourable surroundings and given skilled training, a defective is often able to live a fairly normal life and can be released on licence, and perhaps subsequently discharged from the order certifying him.

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There is thus no provision for voluntary admission to an institution for mental defectives. Nor is there any provision allowing the relatives to discharge a mental defective from an institution against the superintendent's advice. Champions of civil liberties see in this an infringement of individual rights, and a strong case can certainly be made out for a parent's right to have a mentally defective child at home. On the other hand, poor home care is the usual reason for removing a defective to an institution, and it is the defective child who is most likely to be exploited and cruelly treated or neglected. To strike a fair balance between civil liberties, the protection of the public and the provision of care and treatment is much more difficult in cases of mental deficiency than of mental illness, partly because mental defect is a permanent disability and partly because parents' rights do not always coincide with the best interests of their defective children.

The Royal Commission will probably be mainly concerned with this issue of detention versus civil liberty. It will presumably also consider such matters as whether the divorce laws affect the release of mental hospital patients on trial, which interrupts the period of continuous institutional care laid down as grounds for divorce. It may also, according to the Prime Minister, consider the special problem of old people—one that is so urgent that it ought not to wait for the deliberations of a Royal Commission. Before 1948, the senile could be admitted for care to the general hospitals of local authorities or to the sick wards of their institutions, and certification was avoided. This sort of accommodation is now denied them, and they may have to be certified for no other reason than that mental hospitals can then be compelled to take them in. There are, it is true, a few hospitals where senile people over 70 who have never been in a mental hospital before can be admitted without certification. But there are not nearly enough of them. The provision of accommodation is outside the commission's terms of reference. But if it is able to suggest ways of relaxing the law so that the certification of old people is avoided more easily, it will do much towards solving a problem that will get ever bigger as the population ages.

Notes of the Week

Trieste in the Commons

THE first Labour speaker in Wednesday's debate on Trieste in the House of Commons, Mr Noel Baker, began his attack on the Government on the wrong foot. "They had made Trieste," he said, "a deadly weakness at the heart of Europe." That is surely not true. The weakness has been there for years but in recent months, as Mr Eden emphasised, it has been getting worse. To the Opposition's charge that a unilateral decision had been unwisely taken in favour of Italy and against Yugoslavia, Mr Nutting, the Under-Secretary for Foreign Affairs, made a most telling retort. It was not, he said, for the Opposition "who recommended that the whole of the territory should go to Italy" in 1948 to cavil at the present desire to implement the Three Power Declaration in respect of Zone A. The natural attraction of Marshal Tito's liberalised regime for Labour supporters should not blind them either to recent history or to the logic in the Italian case.

The Government, it is true, went wrong on October 8th in the manner and timing of the Anglo-American declaration. Yet Mr Eden's insistence that the proposed withdrawal of troops "will lead to a final solution" and Mr Nutting's replies to subsequent questions did not make clear the fact that both Signor Pella and Marshal Tito had been told that Italian claims on Zone B would not receive any further active support. If that assurance had been given publicly instead of privately it would have been a bitter pill for Rome, but it might have helped to avoid some of the present tension. If, in addition, the decision to withdraw had been announced less precipitately Marshal Tito would have had more time to consider his reaction to it.

Whatever the arguments about method, however, and about how far the present crisis is due to American pressure in favour of a "solution," two points of importance emerge from the House of Commons debate. The first is that the origins of this latest decision go back to Mr Eden's visit to Belgrade a year ago; from his conversations at that time he "concluded that a settlement along the zonal boundaries, although by no means ideal, was the only practicable one in all the circumstances." The second is that, if this was the Government's view after quiet reflection, then their recent decision to act on it now should not be reversed. Every effort should be made to bring about the proposed conference between the western powers and Italy and Yugoslavia, and there should meanwhile be a pause before anything else is done. But the ultimate aim must remain the withdrawal of troops from Zone A. To get agreement it may yet be necessary to set a date for the departure of the last units and so reduce the elements of bluff that may persist in the Italian and Yugoslav attitudes.

Mr Bevan's Decline

MR BEVAN's second attempt to oust Mr Morrison from the deputy leadership of the Parliamentary Labour Party has proved no more successful than the first. Last year Mr Morrison won by 194 votes to 82; this year by 181 to 76. So slight a reduction in Mr Morrison's very comfortable majority cannot give the challenger any consolation. Mr Morrison's loss of 13 votes almost certainly reflects some revulsion against his challenge to Mr Arthur Greenwood for the treasurership of the party. His last-minute withdrawal from that contest irritated some of his sponsors without appeasing those who criticised his nomination. Although Mr Greenwood's subsequent handling of the Margate conference reinforced the argument that he should retire from the National Executive, Mr Morrison was nevertheless expected to lose some votes in this week's ballot, and the small defection does not shake his position.

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For Mr Bevan the result is doubly distressing. Not only has he lost six votes since last year—and a challenger can ill afford any decline, however slight—but the figures justify the warnings of some of his friends who regretted his decision to stand. Instead of his vote benefiting from the Morrison-Greenwood affair, Mr Bevan has merely alienated a few Labour MPs who supported him last year. The main argument for his opposing Mr Morrison this time rested on the belief that he would thereby consolidate his claim to the third position in the party. Yet this was by no means certain, even if his vote had been maintained. In the last year Mr Gaitskell has made considerable strides within the party, and his is a challenge Mr Bevan cannot ignore. Against Mr Morrison, Mr Bevan must always have time on his side; but if Mr Gaitskell emerges as a real force Mr Bevan will for the first time lose the advantage of age. Both men, of course, have plenty of time to jockey for position; but if a decline in Mr Morrison's standing were merely to be balanced by a rise in Mr Gaitskell's, other things being equal, Mr Bevan's last state would be worse than his first.

Not that the leadership of the party seems likely to be on offer yet awhile. There is no sign of Mr Attlee retiring and the hierarchies of political parties commonly change with the speed of a glacier. In recent weeks rumours of major changes within the Cabinet have continued; several Ministers, both old and young, are undoubtedly overdue for replacement. The only certain move, however, is the departure of Lord Cherwell. His resignation will deprive the Prime Minister of a treasured confidant and the Opposition of a favourite target, but in itself it is of little political moment.

Implications of Guiana

IF there was any chance of the situation in Guiana becoming a serious party issue in this country, it disappeared with the debate in the House of Commons last week, and the Lords, when they in turn debated the subject on Wednesday, naturally did not reopen the party battle. The responsible leaders of both parties are agreed in condemning the behaviour of the dismissed Guianese ministers, and the only difference of substance is over tactics. The Opposition continued to maintain that the Governor should at least have tried to set things right by using his reserved powers. But the Government had the better of the argument; reserved powers, however formidable on paper, were never designed for a situation such as developed in Guiana.

But if the measure of agreement in this country is welcome, the colony itself does not seem to be any happier. When the constitution was suspended the men who made this step necessary remained at liberty. That was a wise initial policy, but it certainly produced an anomalous situation. The leaders of the People's Progressive party took their chance to foster protest strikes on the sugar plantations. They have had enough success for the Governor last week to use his emergency powers to put five of them under preventive arrest for an indefinite period. This seems to be a necessity, though regrettable, but has anyone yet begun to consider how to keep the leaders of the discredited party out of power when progress towards constitutional liberty begins again?

The Government has rightly made it clear that its measures in Guiana carry no wider implications. For this reason, Dr Nkrumah's cleaning of his own house on the Gold Coast is doubly welcome. He has suspended two prominent members of his party on the grounds that they were engaged in pro-Communist activity. This action should both encourage colonial people everywhere to put more faith in the British Government's intentions and that Government itself to look favourably on the proposals that Dr Nkrumah put forward so courteously yet firmly for further constitutional advance on the Gold Coast. Mr Lyttelton has already said that he finds the broad principles acceptable.

Mikoyan—at Your Service

MALENKOV's plan for improving the consumer's lot is now taking a more concrete shape. He himself first gave the broad outlines and asserted that a "sharp rise" in the output of consumer goods is now both possible and necessary. The party secretary, Nikita Khrushchev, sketched a programme of incentives to get the necessary foodstuffs and raw materials. Now, Anastasi Mikoyan, deputy premier and minister of home trade, has filled many gaps by his speech on the need to improve distribution and step up supplies. Mikoyan has been the Soviet supreme salesman for many years and he again used some tricks of his trade, emphasising, for example, the notable rise in champagne consumption. He has also revealed many interesting figures of the planned production of Soviet light

industry, in which the emphasis is shifting towards the provision of comforts and semi-luxuries. Some of the targets sound very impressive by Soviet standards: by 1955 industry should produce annually 500,000 vacuum cleaners and 330,000 refrigerators; in 1956 it should supply 4.4 million wireless sets, 1 million television sets and 23 million clocks and watches.

These figures cannot be simply compared with western output. Whereas American or British sellers deal with a fairly saturated market, Mikoyan may expect a salesman's paradise. Nevertheless, such large quantities will put a great strain on Soviet industry. Much is being made of the fact that defence industries are to play a part in this drive, although it is well known that arms factories have always produced consumer goods as by-products. On the other hand, if the output of light industry is really to be stepped up above original plans, it will compete for scarce resources with heavy industry and defence.

This makes one wonder whether the Soviet leaders, without a change in the international situation, will be able to persist in these first steps "to catch up with the West" in the field of consumption. Mikoyan counters such doubts in an interesting passage, candid about the past and hopeful for the future:

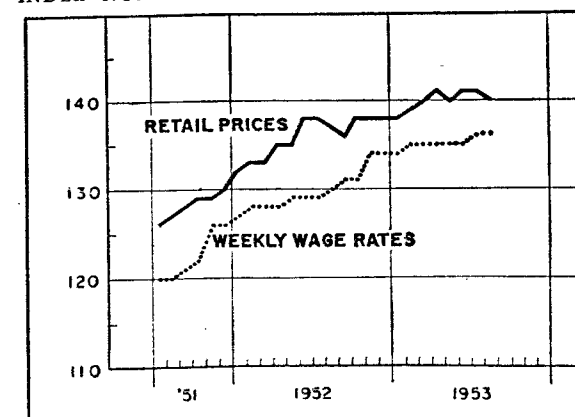
Many sceptics, particularly among ill-wishers, will ask what we have found to astonish the world. Obviously we do not intend for the moment to astonish anybody by our output of washing machines, vacuum cleaners and refrigerators. We have only just organised it. Yet, the speed at which we are going to make up arrears may well astonish many a sceptic.

It will not be possible to check this prophecy, like Malenkov's earlier pledges, until two or three years have passed.

A Decade after Stalingrad

FIELD-MARSHAL PAULUS, commander of the German 6th Army at Stalingrad, has now been allowed to leave the Soviet Union and return to Eastern Germany. There is no reason to doubt this announcement from Soviet

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sources, as the Russians have just allowed several thousand German prisoners to return, many of them SS officers and men. They have been permitted to go to the west if they wish, though most of them are bitterly anti-Russian and some have not recovered from worship of Hitler. It seems improbable that the Soviet authorities would be harder on Field-Marshal Paulus, who was so useful to them as founder of the Free Germany Committee in Russia during the war. If they keep him in the Soviet Zone, it may be assumed that they wish to prevent his being questioned by western intelligence officers, or that he still has a role to play in the Soviet German army.

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Soviet policy towards the German prisoners and the East German forces has changed since Malenkov succeeded Stalin. Previously the repeated efforts of Germans, including Pastor Niemöller, to secure the release of the remaining prisoners met with no response. The thousands of high-ranking officers who had been sent to labour camps for 25 years in 1949, when the establishment of the Bonn government sealed the division of Germany, seemed likely to stay there unless plans for West German rearmament were abandoned. At the same time, it appeared certain that the Soviet Zone army, known as the "barrack-based police," would be openly proclaimed as the new national defence force at this year's celebration of Napoleon's defeat at Leipzig.

Malenkov appears to have realised that this policy hindered Communist appeals for German unity and helped advocates of the European army. In May, when concessions were first offered to the East Germans, the decision was taken to free some of the German prisoners in Russia, and mention of the People's Army dropped out of public speeches. The revolt of June 17th, though it evidently brought a great deal of uncertainty and some changes in Soviet policy in Germany, did not alter this decision. Many of the prisoners have returned, and, at the Leipzig anniversary this month, speakers extolled Russo-German comradeship-in-arms without proclaiming the People's Army. This probably means no more than that Malenkov follows better advice on psychological warfare than Stalin did. There is no reason to assume that Field-Marshal Paulus will not continue to work for re-establishment of a Russo-German alliance. This would, after all, be in keeping with the tradition of Stein's Prussia and Bismarck, not to mention the Reichswehr under General von Seeckt.

The Elysée Stakes

FOR the next six weeks even optimists need not expect any bold moves from the French government and parliament. Politicians will avoid sticking their necks out lest they spoil their own or their party's chances at the forthcoming presidential election. Already much lobbying is going on among more than 900 parliamentarians from both Chambers, who will gather in Versailles on December 17th to elect M. Auriol's successor. It is strange that so much is being made of the presidency, which has never

played in France the role it plays in the United States, and the powers of which were further limited by the postwar constitution. But the short and feeble lives of the governments of the Fourth Republic have strengthened the position of a man who can be certain of seven years in office. The safe seat in the Elysée has become a glittering prize.

Many candidates have entered the race and many more, still protesting at this stage, will probably be cajoled to the starting gate. M. Laniel, the right-wing independent prime minister; M. Bidault, the Christian Democratic (MRP) foreign secretary; and the Radical, M. Yvon Delbos, are currently tipped in Paris as the best bets for the first round. Another Radical, M. Queuille, is given a good chance in the second ballot. Should no absolute majority crystallise even then, such public figures as M. Herriot might appear on the stage. In only three previous presidential elections was the second ballot needed. It is feared, however, that more time may be needed to fill the seat left vacant by M. Auriol. French political alignments are very unstable and there is no clear division between Left and Right. Those, for example, who could strike a bargain on economic issues may well be divided on religious questions. To complicate matters even more, the attitude towards EDC—cutting across almost all party allegiances—has become a vital electoral issue.

Here may be an opportunity for the disciplined ranks of Communist electors. At last week's plenary meeting of the Party's Central Committee its secretary, M. Duclos, asserted that the Communists "are ready, in all the acts of parliamentary life, to contribute . . . to the defeat of promoters and defenders of a European army." Did his hints of co-operation imply that the Communist delegates will no longer stick to their own candidate throughout, but throw their votes after a time into the balance in favour of an anti-German successor to M. Auriol?

The Last Ration Book

THE Minister of Food's announcement on Wednesday that control of oils, fats and milk products will end in 1954 was not quite the last nail in the coffin of food rationing. No announcement has yet been made about bacon, but as it is already embarrassingly plentiful new ration books will hardly be issued for that. The date for the end of rationing is now likely to be the second week of May, when the present books expire—unless it withers away earlier. Condensed and dried milk will be largely handed back to the trade by the early spring, and the last control is to be dismantled by the autumn.

The two obstacles to abolishing the rationing of fats have seemed to be, first, the dollar cost of buying the extra supplies needed, and secondly, the expected rise in the price of butter. Both these difficulties have partly melted away. The Minister once said that the extra fats needed would cost £22 million, of which some £10 to £12 million would be in dollars. But the trade now estimates that the cost will not be more than £12 to £15 million, probably all of it in sterling—as a result, it is claimed, of skilful private buying. As for the butter price, the pessimists in the trade do not think that they will be able to sell butter at more

than about 4d. over the present price of 3s. 4d. per lb.; and even the most optimistic do not reckon on more than about 4s. 6d. A better quality margarine will then be on the market at perhaps 1s. 8d. or 1s. 10d., and experience in other countries where they eat margarine does not suggest that butter can hold its own at much more than double the price.

At such a low price British production of butter would be quite uneconomic. It will only add to the difficulty of freeing milk products—a problem far more intractable than that of decontrolling fats. People are drinking rather less milk than they did last year and still less than the year before. The surplus goes to the manufacturers of condensed and dried milk, whose products are bought, and stored, by the Ministry. But what will happen when the trade has to find its own market? The Government may have almost to give milk to the manufacturers if they are to sell so much to the public. The same applies to the manufacturers of butter and cheese. If the Government accepts the farmers' interpretations of its obligations, it is committed to a subsidy without limit and without end.

Milk Marketing

THE farmers' representatives are keeping up their pressure on the Government. This week it has been the turn of the vice-chairman of the Milk Marketing Board, Mr W. R. Trehane, to urge that the board should without further delay be given back its prewar powers over the production and distribution of milk. Unlike the other producers' boards, the Milk Marketing Board has continued in operation since 1940, but as agent for the Ministry of Food acting under its orders. It is therefore ready, as well as anxious, to resume its old role as soon as the Ministry stands down.

Before the war the board was uniquely successful in manipulating the milk market so as to get higher prices for producers. Its great powers and the use made of them, particularly in the fixing of minimum retail prices, were condemned then by successive committees of inquiry. It is hard to see what possible justification exists for resurrecting these powers when milk producers enjoy the protection of a government price guarantee.

The producers' case is that this guarantee may soon be adjusted so as to assure them of no more than a minimum return. They therefore want additional protection, and they claim that the Minister's authority, under the Marketing Act of 1940, to appoint a few members to the board and to override its decisions constitutes an adequate protection against abuse. They also point out, quite rightly, that action is needed quickly to improve the efficiency of milk production and to expand further the market for liquid milk.

But what action would the board take? Probably it would rely, as in the past, on educational work among both producers and consumers. Such work, however useful, is hardly adequate in a situation in which milk producers are insulated completely from the market. Small producers get an unjustified bonus; producers in remote areas (where transport costs are high) get almost the same price as those who are near their market; and few get an adequate incentive to improve the quality of their milk. Would a producers' board deal with such anachronisms? It would be far more likely to shelter behind a government subsidy; and in the field of distribution it would probably lead, as

the Williams report argued in 1948, to the creation of a rival distributors' monopoly. At the best, the Minister's powers of control would stop flagrant abuse. Government policy for milk should surely aim higher than a stalemate of that kind.

Clearing the Slums

IF Mr. Macmillan needs more evidence to justify a switch in housing policy, he will find it in this week's proceedings of the National Housing and Town Planning Council. The council is conducting an enquiry to which 605 of the 1,468 housing authorities in England and Wales have so far responded. They estimate that of the 5,500,000 houses in their areas over 20 per cent are seriously substandard. Of the substandard houses, 431,000 are thought to be not worth repairing, while 681,000 would justify the outlay if tackled now. By contrast, the slum clearance schemes that these authorities plan to start during the next five years will deal with only 63,000 houses. At this rate it would take several generations to eliminate the slums.

These figures have at least to be doubled to convey a rough picture of the national situation. They add force to Mr Macmillan's known intention to speed up greatly the rate of slum clearance. The two types of unfit houses—those which could be repaired and those which could not—will have to be tackled along different lines. Since the replacement of a million or so houses must on any basis take a considerable time, some even of the condemned houses should be made more habitable in the meantime by temporary repairs. This is a task for local authorities rather than private landlords, and Birmingham has shown the way by the advance acquisition of most of its unfit houses. Other authorities should be urged and assisted to follow this example.

Those substandard houses that could be properly repaired present a different problem. The council believes that the grants for improving old houses under the 1949 Housing Act, of which relatively little use has been made, are subject to too many conditions. This may be so, but the grants themselves, which cover up to 50 per cent of the cost of improvements, are quite generous enough. The real need is to amend the Rent Restriction Acts in order to give landlords an adequate incentive to execute repairs as well as to make improvements. The latest report of the Girdwood Committee, published this week, shows that it costs more than three times as much as it did before the war to keep houses in proper condition. The essential step is to stop hoping that this will be done on prewar rents; otherwise the list of houses that must be demolished will soon be much longer.

How to Build Faster

MOST housebuilders are slow, but some are much slower than others. A survey of productivity carried out by the Building Research Station and published* this week shows that 3-bedroomed council houses completed between

* "Productivity in House Building." HMSO. 1s. 9d.

January, 1949, and March, 1951, took an average of 2,705 man hours to build. Productivity is said to have improved since then, but it is still nearly 20 per cent lower than it was before the war. The average of 2,705 man hours, moreover, conceals far worse figures. On one contract included in this survey it was 4,645 man hours per house. This was more than three times the lowest figure.

An analysis of the circumstances producing these widely differing results gives valuable clues about the means of raising productivity. It was found, first, that specialisation pays. Where plastering, plumbing and painting were sub-contracted, the man hours expended were 15 to 20 per cent less than where the contractor employed his own men. Secondly, incentive schemes have a marked effect. Where men were set a target and given a bonus on reaching it, they took 15 to 20 per cent fewer hours over the job. Thirdly, the contractor's experience and personal supervision were important in small contracts. On the other hand, productivity, at least in bricklaying, increased with the size of the contract, especially if incentive payments replaced the personal supervision.

Much of this was known before—notably through the Girdwood Committee's reports on the cost of housebuilding—and some of the advice is hard to follow. It is not easy, for example, to issue large contracts when so many authorities are short of large sites. But other lessons of the survey are too obvious to be ignored. Incentive schemes are still operated on only about half the contracts for council houses, and only about a quarter use the "target bonus" that is shown to give such good results.

Italian or Nato Divisions?

Now that the hubbub and the hate around the North Adriatic have subsided a little it is, perhaps, possible to make heard one or two questions of some importance to the Atlantic alliance. It is said that crack Italian divisions were moved to cover the frontier with Yugoslavia and Zone A, presumably leaving other positions, agreed with Nato commanders as part of the European defence plan. The immediate and local question is whether Nato's agreement was asked before this movement was ordered. The more general question is whether any Nato government can move formations allocated to the Supreme Commander whenever it wishes, and whether Lord Ismay has been able to persuade his political masters to give any thought to this point of constitutional importance?

In their present mood the Italians will probably deem the question impertinent. Who would think of denying Italy's right to defend itself in its own way with its own troops? And who ever admitted that Nato had any claim to dispose of Italy's crack formations? One can imagine Communists and Fascists combining in the Chamber to roar out such questions. But these are precisely the rights that the European Defence Community would have, and it is on such rights that its ability to control the troops of France, Germany and other members would depend.

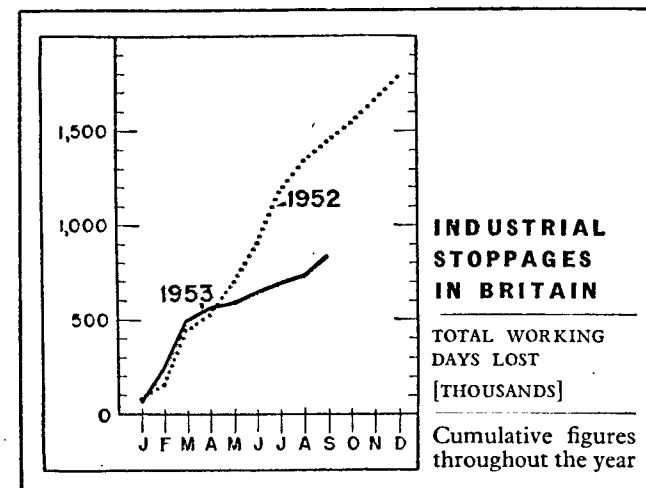
The problem can be put in other ways. Suppose, at a time of tension, that the American Sixth Fleet and part of the British Mediterranean Fleet moved under Nato

orders to the North Sea without previous consultation with the Italian cabinet; or suppose that a government in Nato took action involving the risk of war without considering the effect on Italy, one can imagine what would be thought and said in Rome. Here, in miniature, is the problem that might be presented to the western allies by a German government which believed that it could, in the last resort, use German divisions as it wished, against or without the advice of its allies. If Nato lets this incident pass without discussion or comment, member governments will have missed another opportunity to assert its authority and to make people believe that the European Defence Community could and would restrain an impatient Germany.

In Praise of Umpires

THE United Nations Mixed Armistice Commission which supervises the uneasy frontier in Palestine came well out of the debates in the Security Council this week. The major deduction to be drawn from the report of its truce supervisor, General Bennike, is that his small staff, though it lacks the strength to stop frontier incidents, is able to prevent them from bursting into war. Those who do this unspectacular and sometimes dangerous job deserve the thanks not only of many ordinarily peace-loving folk living near the frontier, but of the world in general.

General Bennike had been summoned to New York to report on two incidents—the Israel attack on Qibya and the flouting by Israelis of his order to stop digging a diversionary channel on the upper Jordan, at Lake Huleh. He placed the first in the two-way pattern of frontier violations that was described in last week's issue of *The Economist*. His evidence supports the view that Israeli offences are greater in scale than Arab, though less numerous. He deduced for a number of reasons that the force of two hundred and fifty to three hundred well-armed men that attacked Qibya was military. Amongst these he cited their competent use of 81 mm. mortars and other standard weapons of the Israel army, their expert use of military techniques, and the fact that a raid of such size and so equipped could not have escaped the notice of the Israel troops guarding the district through which it came.



On the mid-day train to Paris

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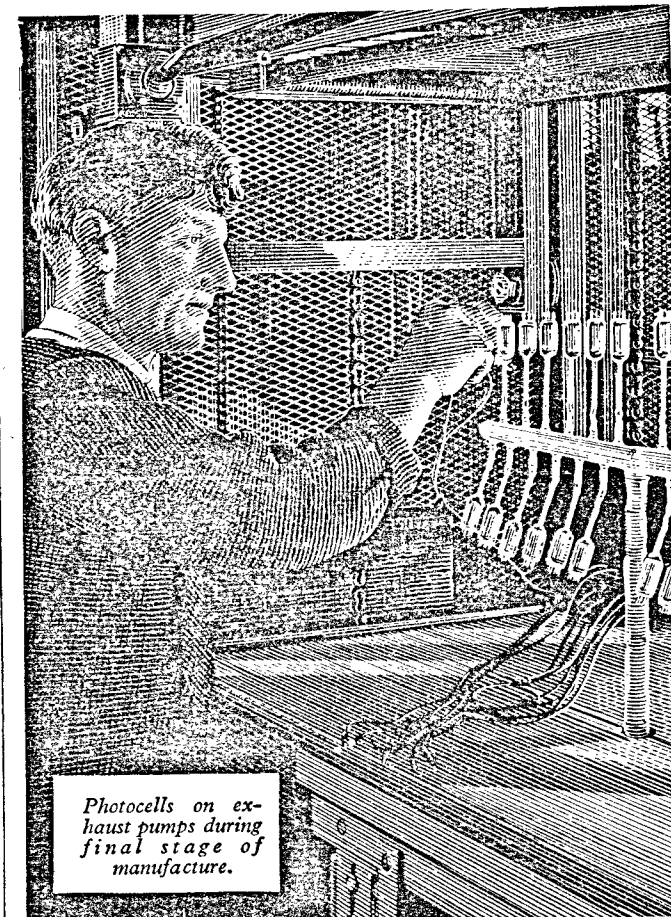
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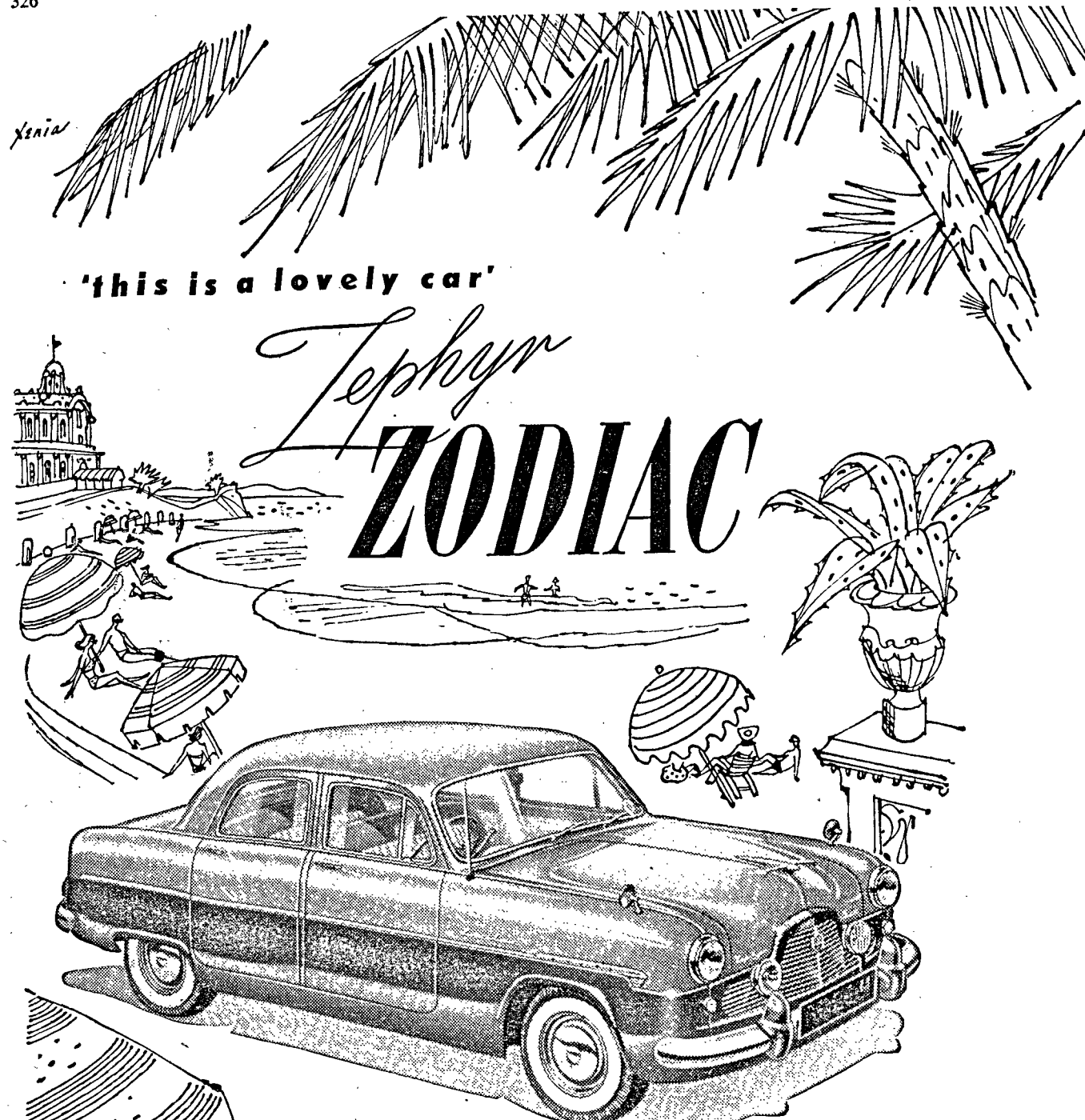
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Meantime the Jordan government and Major-General Glubb, who commands its Arab Legion, are being accused by Jordanians of failing to protect them, and are having to withstand public pressure to carry out retaliatory raids.

Regarding Lake Huleh, the Security Council learned that General Bennike's order has now been obeyed, though the pressure which brought about the change in Israeli behaviour was not the force of his authority but a screw applied by the United States government. This withheld certain financial aid to Israel pending compliance with his injunction; it is now resuming the normal flow of its gifts.

All told, the events of the week point to two conclusions of importance. They afford yet another proof that nothing short of unchallengeable pressure from outside settles any issue in Palestine; they also suggest that if a Mixed Armistice Commission can, in so inflammatory an atmosphere, do the creditable work that this one has so far done, it surely offers a precedent for similar bodies on other frontiers—tomorrow, perhaps, at Trieste or in Korea and, later, also in Germany.

Prisoners' Base in Korea

PREMATURE jubilation has been caused by the latest turn of events in the Korean prisoner camps. Three things have happened. Out of nine hundred Chinese subjected to "explanations," only a handful chose to return to Communist rule. Then the North Koreans who were next on the list to enter the explainers' tents staged a sit-down strike. At this, the Communist explainers flatly refused to go on working through the Chinese prisoners while the North Koreans were pacified, and thus brought the explanations to a halt. The first of these three events is certainly satisfactory, for it shows that the United Nations Command was justified in refusing to hand all prisoners over unconditionally; in the past few days, Peking's propagandists have tied themselves into ludicrous knots in their efforts to explain why the Chinese prisoners chose to return to the compounds where, according to the Communist press, their life is one of torture. But it is shortsighted to rejoice over the threatened paralysis of the whole process of "explanations," tedious and bizarre though it is. Only for Mr Rhee—and perhaps for Chiang Kai-shek—is there any real cause for joy.

From the United Nations' viewpoint, the most satisfactory outcome would be for all prisoners to present themselves for "explanations" and make their choice freely. It is now clear, even to the Communists, that only a fraction of them will opt for Peking and Pyongyang, and that, if all are given an individual choice, a great moral victory will accrue to the United Nations. The new obstructive tactics of the explainers—ably supported as regards walking out, by the Poles and Czechs, whose "neutral" badges are now irredeemably tarnished—no doubt reflect their fear of this. If the prisoners refuse to come out of their compounds, the Communist press can say that this is due to terrorism by "agents," that is to say, by anti-Communists among the prisoners; but if they come out and declare their choice, the whole façade of propaganda must collapse.

The best the Communists can now hope for, therefore, is deadlock. This they may well achieve, for common humanity prevents the Indian guards from storming the

compounds just as it forbids the United Nations to accept a further extension of the prisoners' long captivity. Once again, it seems, the futile obduracy that marks the Korean character will defeat the very nations that have bled for Korea's sake.

Strike Futility

THE strike of oil tanker drivers in London did not survive the highly successful distribution of oil and petrol by troops. The 3,000 strikers had to watch their jobs taken over by twice as many servicemen. Petrol flowed again so that even private cars were back on the road. Only a handful of workers in other industries came out in support of a strike that was not backed by the union.

It seems probable that this fact, more than any reasoned argument, caused the collapse of the strike. But reasoned argument certainly played a part, and in this the oil companies' role seems to have been more important than that of the union. It would not be fair to say, as some critics have done, that the union did not keep its members informed of its negotiations with the employers over the very matters that caused the strike. Apart from the usual communications from headquarters to the branches, there was a mass meeting the day before the strike, at which union leaders explained what was being done. But all this seems to have made less impression than a letter sent by Shell-Mex and BP Ltd. to all its workers who were on strike. A public statement from the company also explained how little ground there was for the strikers' fears. Any "mates" who were removed from their purely ornamental position beside the lorry drivers would be found other work within the companies. The drivers who would lose their old jobs when the smaller loads were distributed through agents could take work with the agents, at not less than the union rate; if they preferred they could be found other work with the companies, and in any case they could return to the companies at the end of a year. As for the trouble over non-union labour, the companies refused to operate a closed shop, but they did recommend their workers to join the Transport and General Workers' Union.

It is extraordinary that arrangements so conciliatory should have led to a strike. Was it because so few men attended the union meetings at which these matters were discussed? Was it because the men did not take in the jargon from which trade union speakers are by no means exempt? What part did deliberate agitators play? The strikers returned to work on the condition that negotiations began at once. If this was not pure face-saving, the disturbing implication is that they still do not understand that the strike caused great expense and inconvenience for no purpose at all.

The Artist's Patron

THE Arts Council is sometimes accused of exercising too great a domination over the arts in Britain. An artist's prospects are poor, it is claimed, if he cannot win the approval of a small cabal in St. James's Square.

The council in effect sets out to answer this charge in its annual report, published last week. As private patrons become scarcer every year, both in numbers and in the extent of their support, collective patronage must take their place if the arts are to survive. In Britain there is comparatively little danger that this will lead to an *art officiel* such as usually emerges when the task is entrusted to a Ministry of Fine Arts. The new patrons are many and diverse, ranging from firms and local authorities to voluntary bodies like the Contemporary Art Society and the National Art Collections Fund. In distributing state aid the Arts Council has only an indirect influence on artistic policy, at least in music and drama. It decides which orchestras and theatres it will help, but does not tell them what to play or whom to employ. Its role here is comparable to that of the University Grants Committee, which distributes funds without interfering with the universities' autonomy. With a few exceptions the council has ceased to provide plays and concerts itself, as it used to do in its early days. But it does still mount its own exhibitions of pictures, and it is in this field that its policy has been criticised.

In answer, the Arts Council can point to an impressive list of exhibitions of great variety and excellence. The report points out that its art panel is "exceptionally large in number and diverse in its preferences," and that it rings the changes by asking different individuals to select for different exhibitions. It is perhaps inevitable that a few council members should exercise more influence than the rest, and that they should in consequence have a power in the world of art that extends far beyond the council projects with which they are immediately concerned. But an alternative is hard to see, and there is no doubt that both artists and lovers of art would be worse off without the council's work.

Sterility on Strasbourg

THE House of Commons is seldom as sterile as it showed itself in last week's debate on the Council of Europe. The council itself had provided red meat for discussion in the form of the comprehensive resolution on general policy which it adopted at the end of September by 76 votes to 7. Moreover, several members of Parliament complained last week that it was rare for them to have an opportunity of discussing the Council's affairs. Yet, when this precious opportunity came their way, a thin House was entertained for the most part by familiar pipers repeating traditional airs.

Members disputed which of their parties had been the true founder of the Council of Europe (it seemed tacitly agreed that no Continental could make any such claim); whether the council had been given too much to do, or too little; whether it had done great things, or nothing at all; whether the Committee of Ministers, or the Assembly, was to blame for everything that went wrong; and whether the council was already dying—in which context members eagerly disputed which of the (British) parties was the murderer. As to this last question, nothing was said to efface the impression that successive British Governments have been feeding the struggling flame at Strasbourg with damp wood.

However, Mr Robens, perhaps moved by the approach of the Fifth of November, tossed in some bangers apparently left over from the display he had previously staged at Strasbourg itself. There, his set piece had been a proposal to defer the European Defence Community for five years in the hope that it need never be formed. But last week he assured the Commons that he had been "most active in doing all I could to help EDC." He went on to argue that EDC, as envisaged at present, must hasten the death of the already moribund Council of Europe, but that both the council and British leadership in Europe could be saved if Britain entered the coal-steel community and linked itself more closely with the European army, perhaps to the extent of a token contribution of forces. Mr Robens declared himself to be representing the Opposition; but something in his manner apparently made the House hesitate to take at its face value so startling a change in party policy.

Indo-China and the French Union

RECENT events in Indo-China have had at least one encouraging result in Paris: they appear to have led to a slight shift in thinking about the nature of the French Union. The assumption that leadership and the control of foreign policy must remain indefinitely in French hands is beginning to yield ground to something like the concept of the Commonwealth—untranslatable though the word is. This shift has been given impetus by the negotiations between Paris and the three Associated States, designed to implement the French declaration of last July that they would be given complete independence "within the French Union."

In the case of Laos and Cambodia agreement has been reached after many ups and downs on the terms of fresh treaties, which appear to go further in conciliating local nationalist opinion than anything previously envisaged in France's relations with other members of the Union. In the case of Vietnam, by far the largest of the three states and the one where the main fighting has been, no agreement has been reached. The Vietnamese National Congress caused something of a sensation ten days ago by refusing, in so many words, to appoint delegates for any further negotiations unless Paris changed its traditional view of the meaning of the French Union. The matter has since been turned over to Bao Dai personally and there it rests for the moment.

This new and direct clash between the attitude of the French and that of their allies in Indo-China, the anti-Communist nationalists, is playing its part in both crystallising and sobering public opinion in France. While the Vietnamese action shocked people into asking themselves once again what France is really fighting for, the debate in the Assembly this week has spread understanding of the practical obstacles to withdrawal, however ardently and unanimously it is now coming to be desired. If France's western allies are to help effectively in sustaining what to them is a vital struggle against Communism in Indo-China, they must understand the rather different moods and motives now dominant in Paris. On the whole, the developments of the past two weeks may be regarded as a move in the least unfavourable direction.

Letters to the Editor

Film Agreement as Before

SIR—An article that appears in *The Economist* of October 3, 1953, refers to dollars the film companies have been able to transfer ("wriggle") through "the twenty-six different loopholes that they have discovered in the original agreement." But these are not loopholes at all. The twenty-six uses are the agreed purposes, laid down in the original agreement, for which sterling that cannot be transferred may be used. They give rise to no transfer of dollars whatever so far as Great Britain is concerned, wriggled or straight.

Later, the article says that the companies' "frozen balances must be accumulating at the rate of about \$20 million a year." In fact, there is no accumulation whatever. All sterling that cannot be remitted in dollars under the Agreement is and must be consumed as sterling, via the twenty-six uses provided for that purpose. In fact, the agreement is built up on the principle that all untransferable funds will be consumed as sterling to avoid any possibility of accumulation. But should untransferable sterling accumulate briefly, it would not constitute a dollar obligation, hence could not be said to accumulate at the rate of so many dollars a year.—Yours faithfully,

F. W. ALLPORT

Motion Picture Association
of America, Inc.
London, W.1.

Adriatic Solomon

SIR—Your article of October 17th does not mention the third and unconsidered claimant to Trieste—Austria. Neither of the two claimants, Italy and Yugoslavia, is in need of Trieste. But the port is the natural outlet to the Adriatic and Mediterranean of the Austro-Hungarian-Croat hinterland. The cutting off of Austria and Hungary from Trieste was one of the major economic disasters of the 1919 Treaties. Moreover, there is a large Austrian population, and the modern city and port is largely the creation of Habsburg rule in the nineteenth century. The granting of that strip of territory, formally part of Italy from 1920-45, and of Austria prior to that time, and now included in Yugoslavia, to the present Austrian State would enable that unfortunate country and the Danubian hinterland to the north and the north-east to regain its feet. Such a new frontier should run from north of Fiume along the former Italian frontier and at a point of latitude parallel with Ljubljana go north to include the Gorizia-Klagenfurt railway.

Such a sacrifice on the part of Italy would make not only for world peace but for a pact of friendship between her and Austria. To Yugoslavia the loss of such territory cannot be said to affect her, for her ownership has been of too short a duration, and she has never possessed either the town or port of Trieste. The final factor which has been forgotten is that the Austrians themselves are bound to recuperate sooner or later from the disasters and injustices of both 1919 and 1945 and with the help of the Croat-Slovene population of Yugoslavia put an end to the absurd situation.—Yours faithfully,

London, N.W.3

A. R. U. ENFIELD

Commonwealth Confers

SIR—In your issue of October 3rd, page 46, you question the necessity for the Commonwealth Finance Ministers' journey to Sydney in January. As you acknowledge that occasional meetings whose timing is not prompted by *ad hoc* necessity are desirable, presumably the doubt is about the choice of place for the meeting. It would certainly be undesirable to establish any precedent that conferences should be held in each overseas capital in turn. But an occasional meeting in one of these should serve to emphasise (to countries both inside and outside the Commonwealth) that the independent countries of the Commonwealth share in these deliberations as political equals.

There are sound economic reasons why Australia should be chosen as the first overseas venue for a Finance Ministers' Conference. Apart from the fact that the size of Australia's total trade is second only to that of the United Kingdom among sterling countries, the volatility of the Australian balance of payments over the past three years has shown how economic events in Australia are among the most potent factors influencing both the level of the central reserves and also the extent to which the resources of the sterling countries are diverted from the task of closing the gap in the area's balance of payments with the rest of the world. Moreover, the vulnerability of Australia to any American recession, to the development of synthetics and to adverse climatic conditions means that Australia is as exposed as any sterling country to the sort of problems that will have to be faced in the coming years. The holding of such a conference on Australian soil might well help to bring home to Australian opinion the extent to which the strength of sterling may well depend upon the policies of Aus-

tralian governments. And, at the same time, surely nothing but good can come from giving the policymakers of other sterling countries the opportunity to learn something at first hand of Australia's problems and of her capacity to contribute to solving those of the whole sterling area.

At any rate, there is no reason to believe that there is little the sterling countries can consult about until American policy crystallises. Their common problems are constantly changing in point of detail, and there must surely be plenty of room to improve their plans to meet probable future contingencies—such as an American recession.—Yours faithfully,

J. O. N. PERKINS

Australian National University,
Canberra

Australia's Incentive Budget

SIR—Mr Newton, in his letter to you published on October 17th, is certainly right in claiming that the Australian government did more than "practically nothing" in trying to curb Australia's recent inflation. But he is also certainly wrong in claiming, as he does implicitly, that what the government did was, in the immortal phrase of Sellars and Yeatman, "a good thing."

It is true, of course, that the wool-tax provided in the 1950-51 budget siphoned off some 20 per cent from the incomes of wool-growers as a prepayment of tax. This additional revenue was then used to balance that budget. In other words, something of the order of £A200 million was transferred from the section of the community which would have, above any other, saved a large proportion of their suddenly and phenomenally increased incomes, to the government, which spent every penny of it. Mr Newton is quite right—this is by no means "practically nothing." But it is exactly the *wrong* thing.

In economic terms, it is fatuous to style such a tax as disinflationary. In political terms, it is equal nonsense to claim that it was "courageous." Never in a thousand years would the wool-growers vote for anyone not a member of the Treasurer's own Country Party. Mr Newton would then, no doubt, assert that the wool-growers showed their annoyance with Sir Arthur Fadden by voting against a proposal for a reserve price. But surely the wool-growers have also voted against every *other* such scheme ever put to them. Mr Newton is right, but for the wrong reasons.—Yours faithfully,

ROGER G. OPIE

Christ Church, Oxford

Autumn Books

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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.

Republican Harvest

Washington, D.C.

ACROSS the whole of the continental United States a dry hot summer has merged into Indian summer and almost trespassed upon the span of winter without any perceptible break. Week after week of cloudless, rainless Mediterranean skies have created not only a tinderbox of the nation's woods and forests, but also the materials for political and economic bonfires which needed only a spark to set them alight.

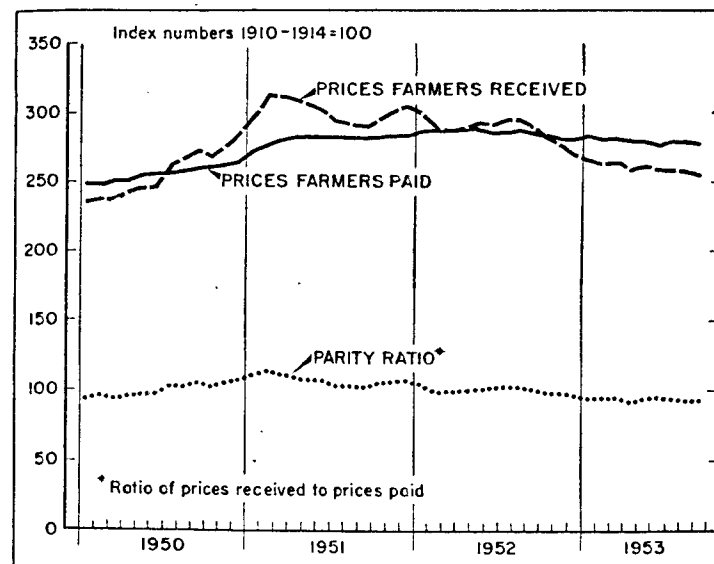
Many parts of the country have this year experienced the worst drought since the disastrous summer of 1936. And, like 1936, this year has been only the culmination of four dry years which have destroyed vast acreages of pasture in Texas and the south-west, according to the cyclical pattern by which Providence at regular intervals chastens "God's own country." The difference between 1936 and 1953, however, is that the distress of the cattle ranchers and farmers takes place, not against a background of general depression and "equal misery," but in an economy in which industry and commerce are, if nervous, still flourishing.

The United States is a country which is used to the constant recurrence of the plagues of Egypt: flood, fire and drought on a large scale. What is unbearable to the American farmer, and accounts for much of the abuse which has been heaped upon one of the best Secretaries of Agriculture in recent years, Mr Ezra Benson, is that the eccentricities of nature should, as it were, be aided and abetted by economic forces from which the rest of the community is so far immune.

Net farm income in the United States has been declining for the past two years. In 1951 it was \$16 billion; for this year it is estimated at \$12.5 billion. No other section of the community has suffered so sharp a loss. This decline is not due to any reduction in the domestic demand for foodstuffs or textile fibres, which has been rising steadily

for the past two years. It arises from the conjunction of two forces, neither of which could have been effectively controlled by the Republicans in the period since they have been in office.

The first has been the steady fall in the inflated and quite unnatural demand for American agricultural exports which the world shortages of the postwar period created—a fall which would have been apparent four years ago but for the sudden upsurge in demand created by the Korean war. In 1952 the value of American agricultural exports was \$3.4 billion, or \$600 million lower than it had been the previous year. This has put heavy pressure on prices. Despite the government's support machinery, through



which the prices of six principal crops are supported at 90 per cent of parity—a formula which relates the price a farmer gets for his crops to his costs in order to arrive at a theoretical fair return—in the first nine months of 1953 agricultural prices have been 10 per cent lower than they were last year.

The other factor has been the increase in the volume of marketing, particularly of livestock, which is a direct result of the drought. Farmers and ranchers unable to fatten their stock or to spread their sales over a period of months have been jamming the stockyards of Chicago and Kansas City, with unhappy effects upon the prices they receive. Last week the smouldering fire of resentment among the farmers and politicians with agricultural constituents broke into flame. The victory of a Democrat in a district of Wisconsin, where none had ever been elected before, had already shown that in one area at least the support of the farmers, which had been a major factor in the Republican victory, had been shaken by fears that the Administration is planning, when the present price support machinery expires next year, to expose them to the rigours of the market place.

These fears were increased by the President's speech in

Kansas City two days after the by-election. Mr Eisenhower spoke of advisory commissions, of conversations between the Department of Agriculture and farm groups, of Congressional hearings "at the grass roots," of studies and recommendations, in short of the mechanics by which a farm policy might be devised, with no hint of what that policy would be. The farmers remembered the President's famous speech at Kasson, Minnesota, during last year's election campaign, in which he had said that to farmers "a fair, full share of the national income should be not merely 90 per cent of parity (the existing law) but 100 per cent of parity"; and in which he had promised "a positive, aggressive, farmer-run programme." Comparing promise with performance, they began to wonder whether their support for Mr Eisenhower had been in their best interests.

The politicians were quick to catch this sense of alarm. Last week Senator Milton Young, Republican, of North Dakota, demanded the resignation of Mr Benson and Senator Russell of Georgia and several other Democrats, not to be outdone, swelled the chorus. Last Friday a "caravan" of furious cattlemen, reminiscent of the "bonus marchers" of the depression, began to converge on Washington. And finally last Sunday, October 25th, the Gallup poll of public opinion disproved the comfortable contention of the White House that none of this furore affected the President's personal popularity, by showing that support for him throughout the country had dropped by 10 per cent, largely as a result of disillusionment among farm and independent voters.

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To the Republican politicians Mr Benson is obviously the Administration's greatest liability. In principle he may be right to criticise a price support system that results in the piling up of commodity surpluses which the rest of the world cannot afford to buy or no longer needs; and to argue that the farmer, as much as the industrialist, should adjust his plans to the requirements of a changing world market. But the politicians fear he is pursuing Republican principles at the risk of losing the Republicans next year's Congressional elections, and precipitating the kind of "green revolution" in 1956 which defeated Mr Dewey in 1948. Next year eight Republican Senators are up for election in states where the agricultural community accounts for half or more of the voting population. Ten Republican Representatives are up for re-election in predominantly agricultural districts which were won by majorities of 5 per cent or less last year. The defeat of these eighteen would be more than enough to ensure Democratic control of Congress in 1955 and 1956.

It seems equally certain that President Eisenhower is not going to bow before the storm which is at present breaking over Mr Benson's head. The very violence of the attack against Mr Benson would make it virtually impossible for any President to dismiss him at this moment, let alone one as loyal to his staff as Mr Eisenhower. However, the President now seems to realise that something more than promises of a sound future policy must be forthcoming, particularly to make good the ravages of the drought.

The probability is that the Republicans will eventually emerge with a farm programme more "socialist" than any a Democratic Administration would dare to recommend, although Mr Benson and the President have so far resisted the pressure to extend support to cattle prices. The danger is that the faults of recent American agricul-

tural policy will be visited upon the rest of the free world. There will be a standing temptation to the next Congress to remove one of the causes of the fall in agricultural prices by stimulating exports through a conversion of the foreign aid programme into a dumping programme. Economy is necessary; so are high farm price supports (in which, during the twelve months to June, 1953, the government invested \$2.8 billion, nearly three times the amount tied up in the previous twelve months). Consequently, it seems a very simple remedy to make all grants of foreign economic assistance conditional upon the purchase of surplus commodities, thus killing two birds with one stone, whatever the effect on the health of world trade.

Services Not Servants

FROM A SPECIAL CORRESPONDENT

AMERICANS have become almost unbearably ingenious in devising ways of serving each other. The main reason, of course, is the high cost of individual, particularly domestic, service. Another is the rigours and vagaries of the climate and still another the perpetual movement from class to class. The services provided, some of which are already beginning to cross the Atlantic, are most successful when they can solve problems in more than one of these areas.

The winters make central heating absolutely necessary and the shortage of staff has forced it to look after itself. Electric power and natural gas need little servicing, but oil, which is for reasons of cost the most usual fuel, has to be delivered. The tank which holds it is therefore outside the building and the spout into which the oil is poured can be reached without access to the premises. The tank is filled and a slip of paper pushed through the letter box. This is usually stamped with a record of how many gallons the lorry contained before and after delivery. Nobody need be at home when this happens. The firms that sell heating oil keep a temperature chart so that they can tell when each customer needs more oil. There is also a gauge on the house tank, but this is seldom looked at except in spells of extreme or sudden cold.

Inside the house, the boiler operates automatically, the temperature being controlled by a thermostat in a draught-free place. This can be adjusted at will and one type includes an electric clock by which it can be set at different temperatures for night and day. A house can be shut up for weeks in winter without risk of burst pipes. Most of the big oil companies also offer a service guarantee for an annual fee and will send a plumber day or night; they clean the boiler during the summer and replace minor parts without cost. They even send out reminders asking for the boiler to be turned on for an hour or two to make sure all is well before the cold weather sets in. This only entails turning up the thermostat for a few minutes—about the only time in the year when such an effort is necessary.

The heat of American summers has made the use of ice essential and the ownership of a refrigerator universal. Ice can be bought from an icelhouse at all hours, even in the depths of the country, by putting a coin in a slot which opens a trap door from which either a large block of ice or a bag of ice-cubes clatters out. Wine merchants and grocers

keep stocks of beer on ice and soft drink manufacturers have dotted the country with their special refrigerators which dispense an iced bottle of their wares at the drop of a coin. Air conditioning is widely used and individual "room coolers" can be hired by the month. The climate is very friendly to moths, so storage companies provide a service of trunks which are hired by the year. These have little holes in their sides and are fumigated as soon as they reach the warehouse and then stored in a cool place. They are delivered to the house in spring and autumn for the exchange of clothing and blankets.

The shortage of domestic help has always encouraged cafeteria and counter eating and the sale of packaged cooked food ready to take home. But now eating habits have apparently been considerably affected by television. Some restaurants, in order not to lose customers to the new medium, are now providing packaged "Television" meals. Others are offering home delivery, within a limited area, at 25 per cent less than menu prices. Catering firms are prosperous, as only the rich can afford to keep enough servants to give big parties.

Coin-in-the-slot machines now provide not only hot and iced drinks from the same machine, but also hot and cold sandwiches. Railway stations have machines that dispense toys, toothpaste, razor blades, combs and handkerchiefs, and enterprising drug stores can now have a machine that provides a whiff of oxygen at a cost of 25 cents to cure a hangover or add to the general sense of well-being.

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Although large commercial laundries exist and even sheets can be washed in the machines found in many homes and the basements of blocks of flats, people who live alone and work all day often find it easier to hire their household linen by the week. A supply of clean linen is delivered and their dirty linen removed while they are out by "bonded drivers"—drivers who are insured against dishonesty. Also hired by the week, rather than washed at home, are nappies. One of the first duties after confirmation of pregnancy is calling up one of these firms and booking their services from the expected date. Some firms sell the customer the nappies and guarantee the return of the same ones each time. Deliveries are made once or twice a week depending on the district and charges vary from \$1.40 a week for the use of 20 to \$3.00 for 170. A metal container is provided with waterproof internal bags and these bags can often be seen waiting to be collected from front doorsteps.

Mothers of young babies are also tempted by various firms who prepare formulas according to the doctor's prescription. Some of these specialise in sour milk formulas, while others pack all the child's food for a journey. The food for the infant is delivered, including bottles, sterilised water and orange juice, in a refrigerated container which can be returned and credited.

Gardeners find that most nurseries will plant and guarantee the trees they sell for a year for an additional cost of about 20 per cent. They will also sod or sow a lawn on the same principle or contract to spray a garden at the necessary intervals. As there are innumerable pests, fungi and plant diseases in the United States, this service is fairly widely used, especially in towns, or where the amount of equipment needed for small areas would be too costly.

The upward movement from class to class has given birth, not only to the prosperous lecturer and his even more

prosperous agent, but also to the charm schools, to education for "leadership" and services for public speakers. For those with such ambitions there is a service of "Speech Sparkers," with helpful suggestions on fifty different topics varying from "The American Way of Life," and "Capitalism (Free Enterprise)" to "God and Man" and "Worry."

So, while the ambitious housewife is busy attending a class or a lecture in order to help or push her husband up the next rung of the social and economic ladder, and he is desperately learning how to behave when he gets there, the personal services are making a nice profit out of washing the nappies, heating or cooling the house or cooking the food. It sounds like "All this and heaven too." But there are still no heated towel rails in those shiny bathrooms.

American Notes

Firepower for Manpower?

MR JOHN FOSTER DULLES has allayed some of the alarm caused in Europe when the Secretary of Defence suggested that new atomic weapons, such as the cannon recently sent to Germany, might soon lessen the need to keep American soldiers overseas. The dispersal of the Joint Chiefs of Staff to the four corners of the earth bears out the belief that no radical changes are contemplated in the military budget for the year which begins in next July and which must be submitted to Congress in January. But there is fairly general agreement that before the next budget is drawn up the Joint Chiefs and the National Security Council will consider whether defence costs can safely be brought down by the substitution of atomic firepower and foreign troops for American manpower and conventional weapons.

The National Planning Association has just challenged the Administration's assumption that defence must be cheaper; it declares that the American economy can take even larger defence spending in its stride if necessary. But the Administration is anxious to redeem its campaign pledges of lower spending and convinced that the burden of defending the free world must be lightened if the American taxpayer is to be asked—as it believes he must—to carry it for years to come. The Joint Chiefs evidently believe that there are only two ways of making real economies: by bringing home some of the American divisions overseas, which are at the very least three times as expensive to maintain as those of any other nation, and by putting more reliance on atomic weapons. In terms of firepower they are infinitely cheaper than the conventional ones which are being manufactured side by side with them, and there would be an additional, and very welcome, saving in manpower.

No withdrawal of American troops is contemplated until German and Japanese divisions are ready to take their places, and even then, according to the "plate-glass window" theory, a thin, indeed transparent, cover of

American troops would remain to ensure that any aggression involved the United States at once. The proposal that all foreign aid should be lodged in the Defence Department, which is a permanent agency and well fortified against Congressional attacks, is another sign that both military and "budgetary" aid are likely to be put on a long-term and flexible basis, and that no return to isolation is being prepared.

It will be up to the Joint Chiefs to decide whether the moment has come when it is safe for America to put all its military eggs in one atomic basket; judging from General Ridgway's reference to "gambling with untested weapons," it may not be an easy decision to reach, even if the administration is faithful to its pledge that no attempt will be made to buy security at bargain rates. But before the decision can be made, the President and the National Security Council will have to wrestle with some knotty problems. The Joint Chiefs will want to know whether there is any likelihood of all atomic weapons being outlawed—something which might, in the future, leave America defenceless; and whether, in any new Korea, the Administration would continue the policy of forgoing the use of atomic devices in order to localise the conflict.

Above the Battle

MR EISENHOWER'S statement that he would not take an active part in next year's Congressional elections has shocked many hard-pressed Republican candidates who hoped to return to Washington on the coat-tails of their popular President. There is some dispute about how effectively a President can intervene in local elections when he is not running himself, but no question that it will be hard to reconcile the politicians to the spectacle of his sitting firmly on his coat-tails when their need is so great. Mr Hall, the anguished chairman of the Republican National Committee, has already sought a promise that the President will at least make some general speeches from Washington, but this is hardly enough to reassure anxious candidates.

The President's view that his office is above partisan politics is in accord with a tendency which several commentators have noticed: that he prefers to reign, with an active leader in Congress, rather than govern himself. It is a radically different view of the Presidency from that which sent Mr Truman and Mr Roosevelt out into the highways and byways to secure Congresses which would support their policies. It may prove, as the critics contend, too lofty and impractical for the President to sustain, even if, as they suspect, it means he does not intend to run for a second term.

But those very critics, it is interesting to remember, criticised the President even more bitterly during the campaign, for the support his political advisers persuaded him to give to such candidates as Senator Jenner and Senator McCarthy. This was justified as a compromise necessary to secure a Republican Congress. But in practice the President has found that the very candidates he swallowed his principles to assist have put the worst obstacles in his way. Mr Roosevelt relied on the corrupt city machines, but they did not try to dictate his policies.

Only a few days before the President spoke, the *Washington Post* took him to task for dissipating his enormous

strength by trying to reconcile the diverse elements within his own party rather than formulating a broad programme which would appeal to moderates within both parties. The President was making exactly this point when he argued that his responsibility was to develop a programme for all the people that was enlightened and progressive; this would provide an "umbrella" under which like-minded members of his own party might shelter. The real criticism of the President must be that he has been slow and indecisive in working out such a programme, not that he is politically naive.

Atomic Power Plans

IT is no coincidence that the Atomic Energy Commission should have disclosed its plan to build a full-scale atomic electricity plant just as the flow of atomic weapons has reached a level which seems to require revision of military strategy. The absolute priority given to the development of weapons can now be modified; and Mr Murray, the commissioner who made the announcement, showed that the commission is very anxious lest the lead in developing the peaceful potentialities of atomic energy should pass to the Soviet Union. The new plant will be built by the Westinghouse Electric Corporation, the government paying the cost, which is put at "tens of millions of dollars"—probably about \$30 million. It will be erected near one of the commission's gaseous diffusion plants and will produce at least 60,000 kilowatts of electricity when it comes into operation in three or four years time.

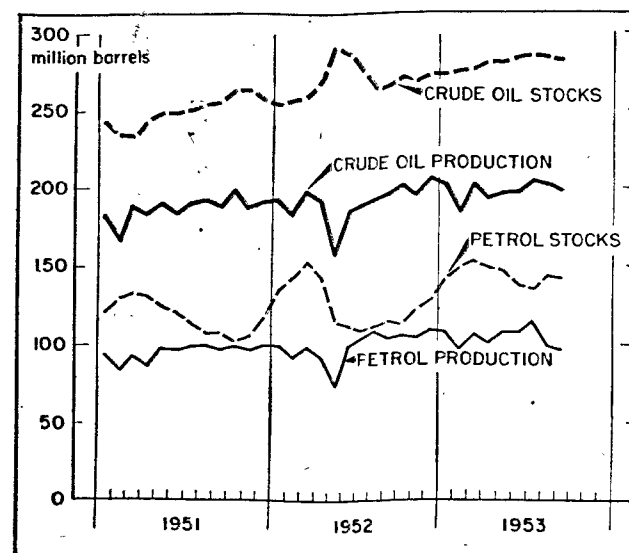
The Westinghouse Corporation was chosen as the chief contractor because it is familiar with the reactor which is to be used in this first of a series of electricity plants. The reactor is the one which was developed for the aircraft carrier whose building has been postponed. Admiral Rickover, an enthusiast for atomic power, has been put in charge. It was Admiral Rickover who risked his promotion in his fight with the Navy, to build the first atomic-powered submarine, the *Nautilus*, which is to be launched in January.

The new plant will concentrate on producing power, and will produce plutonium only incidentally. In this it is significantly different from the rival scheme sketched out to the press with apparent haste, a few days earlier, by the General Electric Company. General Electric, which is the largest operator of reactors for the commission, proposed that it should build, with government money, a plant in the power-hungry north-west which would rely for part of its income on the sale of plutonium for weapons to the commission. The commission's decision that it will not encourage such dual-purpose plants, since the supply of plutonium is already adequate for present military needs, eliminates the main means by which private industry had hoped to make atomic electricity plants self-supporting. The government monopoly of atomic energy thus must go on. But it is hoped that eventually private industry will shoulder much of the job of providing atomic power and in the meantime its help will be sought in bringing down the cost, which at the first plant will be at least twice that of power produced by conventional means. Congress, however, will first have to bring to an end the monopoly of information which the commission now shares with only a few private firms.

Petrol Overflows

PETROL price wars have been flaring up at service stations in many parts of the country since July, to the delight of motorists, but the hostilities have not yet been carried back to the refining centres. The higher prices for all refined products that were established in June are still holding; only one major refiner has reduced posted prices, and then the reduction, for cargo quantities of regular and lower grade petrol, was only one of $\frac{1}{8}$ to $\frac{1}{2}$ cent a gallon. While some other refiners and distributors have unofficially reduced prices, in general the industry hopes that it can escape price reductions with the colder weather, which shifts the emphasis in refining from petrol to fuel oil and should reduce the brimming stocks of motor fuel.

There has been no lag in the demand for petrol and other refined products; indeed, demand for the first eight months of this year was 6 per cent higher than that for the same time in 1952. However, last year stocks were lowered by a strike; this year, they were raised by an unusually mild winter which left the industry with large supplies of heating oils.



This was an added incentive to concentrate on the more profitable motor fuel. During the summer almost half of each barrel of crude oil was taken for petrol. Consequently, instead of falling, as they usually do in the summer when most Americans take to the road, petrol stocks remained dangerously high. Both crude and refined production have been cut, but only as the demand for petrol has started its seasonal decline, and stocks may well press upon production next spring when the shift back to higher petrol output takes place.

Behind all the over-supply at the refinery level lies an over-supply of crude petroleum, and the smaller companies with no foreign sources of supply have been pressing for import quotas. This campaign, and the concern over the effects on the world market if Iranian production is resumed, were two additional notes of gloom that depressed the celebrations this month of "Oil Progress Week." Because the demand for heating oils rises as the mercury falls, dreams of a white Christmas—preferably well below freezing—provided the only cheer.

Panama's Grievances

DR MILTON EISENHOWER, the brother of the President, had not long returned from his good-will tour of Latin America before the first head of a state to visit Washington since the inauguration, President Remon of Panama, called at the White House to ask for a concrete expression of good neighbourliness. Mr Remon did not come in vain. Within a week of his arrival he stated that he had secured approval for two important changes in the treaty with Panama which controls the perpetual lease of the Canal Zone.

The concessions Mr Remon has secured concern wage discrimination in the Canal Zone in favour of US nationals, and the competition of US commissary shops in the zone with merchants in Panama; Mr Remon said President Eisenhower had agreed in principle with Panama's objections to these practices. By a fortunate coincidence, Mr Remon found support for his complaints in a report on the management of the canal that has just been sent to Congress by the General Accounting Office. This report criticises the construction in the canal of service plants such as milk and ice cream factories when such enterprises are already in existence in the Republic of Panama. The GAO also attacked the military control of the canal and the duplication of such facilities as hospitals by the army and the zonal government, and recommended that an impartial study of the problems be made.

The main question that Mr Remon brought with him has not been resolved, however; it is the demand for an increase in the annual rent paid for the zone, which is now \$430,000 and has not been changed since 1936. Panama would like at least a million dollars a year. The additional \$570,000 may be regarded in Washington as a remarkably low investment in the friendship, not only of Panama but also of all of Latin America, which is watching the negotiations with interest. Still another Panamanian request, for more economic aid, might be indirectly answered by a proposed \$26,500,000 scheme for modernising the canal so that present delays in two-way traffic during repair of the locks can be avoided. However, the criticisms of the GAO may lead Congress to give priority to overhauling the administration rather than the locks.

SHORTER NOTES

Correction.—In the Shorter Notes last week the figure for US economic assistance in the fiscal year ending June 30th was given as \$6 billion; it should have been \$2.7 billion.

★

Filter tip cigarettes, whose sales have risen by over 50 per cent each year since 1950, will soon be produced by three of the major tobacco companies in competition with their other brands. Although sales of filter cigarettes account for less than 2 per cent of total cigarette sales, the rapid growth of the market may entice even more of the big companies into this field, particularly in view of the premium price they command.

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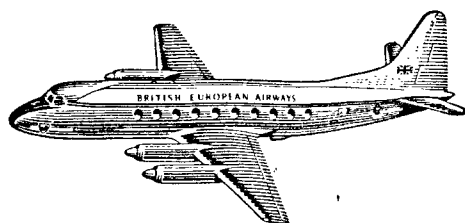
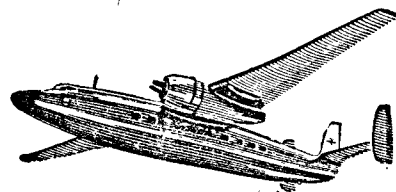
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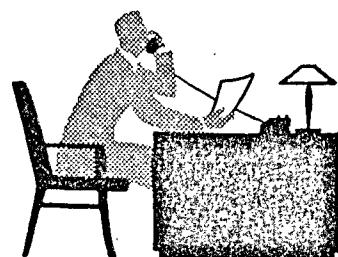
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The World Overseas

Moscow's Bid for the Trade Unions—I

The New Comintern

THE World Federation of Trade Unions (WFTU) has its roots far back in the turbulent mid-nineteenth century, when Dr Karl Marx was laying down his famous fallacies about the inevitable course of history. The use of "mass organisations," manipulated by men behind the scenes, is as old as Marxism. In 1920, the Bolshevik party set up the Red Trade Union International (the "Profin-tern"), which had a rival in the Socialist International Trade Union Congress formed in Amsterdam. All these attempts to unite the workers of the world failed. The Red International was dissolved in 1934 and the Socialist organisation succumbed during the second world war.

At the back of the original Marxist efforts to unite the workers of the world lay several misconceptions that have, in part, been abandoned by the Soviet rulers. The first was that the revolution would start in the most highly industrialised countries; the second was that the workers had in fact nothing to lose but their chains, and the third was that the capitalists and imperialists would never allow, still less offer, reforms. Since the victory of the Bolsheviks in backward Russia, the Soviet rulers modified the first principle, though they still regard it as essential that the proletarians shall—under the Communist party—form the controlling element in revolutionary movements. The Soviet Communist party has also brought Marx up-to-date by recognising the chances for unrest that exist in "colonial and semi-colonial" territories, which are now a main field for the WFTU's activities. As regards reforms voluntarily accorded by capitalists, the Soviet leaders are in a dilemma. Though it is presumably impossible for them completely to overlook the facts of life under capitalism, they nevertheless remain prisoners of Marxist doctrine. They must fight the forces of reform in the WFTU and elsewhere while denying that they exist.

The reformist policy of the British has always been the most potent of these anti-Marxist forces, but it has been greatly reinforced since the last war by another—American financial aid. Marshall aid undermined the basic Marxist tenet that wars bring revolutions, while American military aid threatens to do the same for the dictum that armaments production inevitably lowers the workers' standard of living. It was obvious that the Communists would aim from 1948 onwards to use the WFTU to wreck the European Recovery Programme—a task which even the great strikes in France did not achieve. It was also to be expected that the WFTU's French general secretary, Louis Saillant, should make the

greatest effort at the recent Vienna congress of the organisation to prove with statistics that the doctrine is correct and that every country receiving American aid suffers a lowering of its standard of living. The WFTU, according to *Pravda* has been helping an inevitable revolt of the workers which has been manifested in an increasing number of strikes.

It might seem that the WFTU is nothing particularly new and will fail like its predecessors. Saillant was perhaps merely boasting when he proclaimed that "in this magnificent new struggle, the international working class is securing new means of action and is raising the level of its class consciousness." A glance back at the WFTU's career, however, shows that it is, indeed, more formidable than any of its forerunners.

In 1945, the Soviet party leaders evidently saw a new chance of ousting the hated International Labour Organisation, which had been set up by the League of Nations. They aimed to establish an international that would be affiliated to the United Nations and would use the struggle for labour rights to further Soviet foreign policy. The chance was unparalleled because Soviet prestige was at its height and the idea of co-operation with Communists was popular. In fact, both the cautious British TUC and the American Congress of Industrial Organisations agreed to form the WFTU with the Russians in 1945. Under Soviet auspices, the "democratic" mass organisations for women and youth were set up at the same time.

It very soon proved impossible for the free union leaders to work with the men who represented the sham unions of the Soviet bloc, and were working to prevent economic recovery in the West. After stormy sessions, the British and Americans left the WFTU in January, 1949. But no rival organisation was set up until November of that year, when the International Confederation of Free Trade Unions (ICFTU) was established.

In Europe, one big success was achieved against the WFTU, which may be offset against Communist control of the big French and Italian confederations. This was in Germany, and was largely due to the British. To secure the revived German unions was always a major objective of Moscow's strategy. But owing to the insistence of British Military Government that the new unions should be formed on the British pattern from the bottom upwards, on the basis of free elections, the Communists were frustrated in the West. The WFTU was, therefore, only able

to secure the affiliation of the East German union, and Saillant's personal appeal to the West German body to send delegates to the recent Vienna congress failed. This is only natural, as the WFTU has denounced the June 17th strike of the Soviet Zone workers. One of its main tasks for the future remains, however, to split the West German federation in order to organise a revolutionary general strike to overthrow Dr Adenauer's government.

Soviet domination of the WFTU naturally became more obvious after the departure of Sir Vincent Tewson and the Americans, and this has doubtless hampered its efforts to split the free unions in Europe. The executive bureau included from the outset representatives of the Soviet bloc, led by Kuznetsov, head of the Soviet unions. But now the Chinese are there, too, and Kuznetsov has been replaced by a more famous figure, Shvernik, who was moved by Malenkov from the position of titular Head of State to take over leadership in the Soviet trade union world. When the importance of the WFTU is taken into account, this re-shuffle does not appear to be so much of a demotion for Shvernik as it seemed at first sight.

For all and Sundry

In one important way the split with the British and Americans may have actually helped the WFTU. It left the Communists free to organise according to their own well-tried technique. The WFTU quickly turned into a new Comintern, with the difference that it worked without a Communist label, and opened its arms to all and sundry. It was always more important than the Cominform, which was a limited European organisation formed for the express purpose of keeping first the French and Italian, and then the Yugoslav parties in line with Moscow. For years past, the WFTU has been a main support of Soviet foreign policy. It was given the task of ensuring that strikes turned under Communist direction into political demonstrations in support of the Soviet "peace" campaign. Since Malenkov came to power, it has taken up his slogans about the need for a peaceful solution of all outstanding differences between the powers. As Saillant said in July, 1951, at a meeting of the executive, there must be a close link between the struggle for better conditions and peace "since by fighting against the immediate consequences of a war economy the working people are making the implementation of armament plans difficult." For this purpose, special WFTU "action weeks" have been organised, and Soviet commentators have claimed that

the WFTU has become one of the strongest fighting units in the struggle for peace. In company with other mass organisations, WFTU branches are the chief inspirers of the struggle against US occupation, the revival of the Hitlerite Wehrmacht, for national unity and independence. The fact that the EDC has not yet been ratified is also due to the efforts of the militant WFTU.

As soon as the WFTU was free of the British, it started organising individual craft internationals in those strategic branches of industry which could, if they wished, paralyse a country at the moment of mobilisation. Internationals were formed, among others, for miners (whose headquarters were turned out of Belgium in 1951), air, sea and land transport, dockers, fishermen, post and radio, and (with an eye on the colonies) agricultural workers. These bodies are intended to take advantage of local conditions in their industries.

The Vienna congress marked the culmination of an

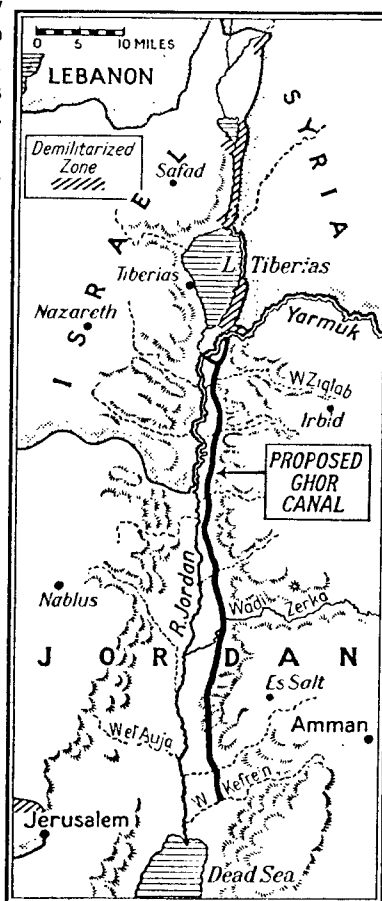
intense drive based partly on new tactics, to split the free unions. Early this year, instructions went out to secure representatives from branches of unions that were not affiliated to the WFTU, and even from individual factories. Money was not spared. Millions of leaflets were distributed in many languages, and funds were collected to pay the fares of any one who asked to go to Vienna. In Britain, the results were poor though in WFTU speeches claims are often made to support among dockers and from the ranks of the Electrical Trades Union, the Foundrymen's Union, and a few other bodies. In all less than 800 representatives and observers turned up in Vienna, including the contingent from the Communist bloc. In Europe the strength of WFTU continues to rest in the great French and Italian unions. But they alone make the WFTU a formidable organisation even without taking into account the whole "colonial and semi-colonial" world which is under attack in ways that will be examined here in a second article.

(To be concluded)

Johnston Over Jordan

MR ERIC JOHNSTON, the president of the Motion Picture Association, who is special adviser to President Eisenhower on schemes for international development, and who is now in the Middle East, has left the Arab States for Israel without having mustered any support for the blueprint he has under his arm. This is a T.V.A. for the Jordan valley. He carries a theoretically admirable document called the "Unified Development of the Water Resources of the Jordan Valley Region," but the Arab states have dubbed it "useless" because its execution entails co-operation with Israel. He is now encountering the Jewish reaction which is that Israel, though theoretically in favour of cooperation, wants only the kind that will allow it to pursue its plan to pipe half of the upper Jordan water across the Galilean hills and into the coastal plain. Mr Johnston's blueprint precludes this project.

Thus his scheme cannot expect to find favour as a whole, but it possesses one very great merit which no one—Jew, Arab or United Nations member—can afford to ignore. The plan it propounds is to be executed in stages and



its first stage, which is or could be entirely inside the Kingdom of Jordan, would go some way towards settling Arab refugees. This stage entails the digging of a canal from the Yarmuk river down the east bank of the Jordan—the area known as the *ghor*—which would irrigate the five to eight mile-wide plateau between the foot of the escarpment and the river.

Chance for a Pathfinder

At present, this eastern *ghor* carries about 35,000 people on land irrigated by trickles from the side valleys, and by pumping water up from the bed of the river. If the canal which is the first stage of the unified plan were built, it would at full flow irrigate 307,000 further dunums (4 dunums = 1 acre), and this additional land, at 5 dunums per person, would enable the area to carry three times as many people as it does now. So full a flow would entail building a dam on the Yarmuk, one end of which would be in Israel, but a lesser volume of water could be obtained, or a smaller canal be filled, by a pumping system entirely within the Kingdom of the Jordan. Plans for a smaller *ghor* canal (of a size to irrigate around 40,000 dunums) have been available for the last five years but have constantly been set aside and forgotten because bigger and better ideas were on the way. They could now serve as a pilot scheme for the larger project.

Here is the chance for a pathfinder through the human, political and legal problems that have hitherto baulked refugee settlement in the valley. The refugees would not be the only beneficiaries; others would be the Jordan government, which is groaning under its burden of homeless people, and the foreign subscribers to the United Nations refugee organisation that pays the refugees their dole. So far, American love of big plans, and consequent scorn for small beginnings, has prevented the adoption of any scheme for the eastern *ghor* alone. Simultaneously, the Arab states have for political reasons always been prone to turn down any scheme leading to refugee settlement, regardless of the relief it would bring to the economic plight of the poorest of their number, which is the Kingdom of the Jordan. It would be the gravest pity if this American *penchant* added to these Arab emotions, were to encourage the UN once more to shelve the practicable part of a scheme that is, for the present, impracticable as a whole.

China's Winter of Discontent?

FROM A CORRESPONDENT IN HONGKONG

THE Chinese Communist government celebrated its fourth anniversary at the beginning of this month with the usual fanfare and rejoicing. In fact, however, the Korean truce is about the only development that can give cause for pride and satisfaction in a year of crippling natural disasters and dulled dreams.

There may have been a measure of relief, rather than satisfaction, at the conclusion of the agreement with the Soviet Union whereby the latter undertakes to render direct aid in certain specific construction enterprises. But the new arrangement which is evidently a poor substitute for the grandiose ideas that obtained a year ago, emphasises the roles of patron and protégé. It is, moreover, the latest

in a series of buffetings from Russia, from the death of Stalin and the fall of Beria to the emphasis on the consumer instead of heavy defence industries, on collective as distinct from individual leadership and, finally, on the incentive policy for the peasant. China, struggling on the steep way up, is embarrassed to meet Russia on the way down.

China has suffered from every conceivable form of natural disaster, and conditions are as bad as they were in the climactic of the Communist conquest in 1949. Disasters have been of the double kind not infrequent in particular parts of the land but seldom in modern times over so wide an expanse of the country. Where there was drought, floods followed, together with a late winter, pests and other troubles. In many areas real famine occurred earlier this year. In provinces like Kwangtung and other parts of East and South China, where drought had struck in the summer after the spring floods, typhoons brought renewed floods, though hitherto in less serious measure.

These grievous misfortunes have happened in a year of mounting discontent. For two years the bourgeoisie, private industry and private enterprise were the target of a constant stream of hostile word and deed. This year it has been the turn of the state industries, the bureaucracy, and the state commercial bodies to be the targets of incessant criticism. The Communists insist on criticism and self-criticism as a matter of routine. But it is quite obvious from the volume and range of criticism, and from the facts and figures of exact incidents cited, that an unprepared, untrained, and inexperienced host of young officials have made a great mess of almost the whole production and distributive system of the country. The great Five Year Plan had to be pruned, and pruned again and yet again.

Progress with the Railways

It is very doubtful whether any such thing as a national plan now exists, though regional construction in the North-east and in Shensi and Shansi provinces and municipal construction in many of the leading cities has been going on vigorously on a scale that would have created a sensation in the slothful and unconstructive days of Kuomintang rule. The railways linking up Chengtu with Lanchow, and Lanchow with the cities of Sinkiang and ultimately with the Turksib line have been steadily progressing in the teeth of immense topographical and engineering difficulties. The Huai River conservancy works have held, though many sceptics doubted the quality of the work and imagined collapse and possible disaster; and the vast project still goes on. The still uncompleted Kwanting Reservoir, the biggest in China, recommended by the Chihli Rivers Commission headed by a former British conservancy engineer-in-chief in India a quarter-century ago, has stood up to one of the biggest torrents the Yungtingho has registered in modern times; it has thus saved Tientsin and the great northern plain from the flooding to which this destructive, silt-laden river used to subject the vast farms of the Hopei railway triangle. This great dam is in the hills west of Peking, and it is a boon to the whole farming populace.

But the chorus of dissonance began over the Plan. From the various regions and from the Ministries in Peking came all the rainbow-drafts, a perfervid and soaring ambition could put on paper. The volume was preposterous and impossible, and from Peking came cries of anguish. Then

came the first sharp warnings in the spring of frowning skies, and in a month or two the word famine was in frequent use on official lips. A million tons of grain had to be shifted from the State reserves to ameliorate the catastrophe.

Up to this time the Vanguardists had held the centre of the stage which they had seized in the spring of 1950, when they absorbed the spirit, if not the word, of the common programme and its promise of mild gradualism. In these months they had socialised two-thirds of the nation's economic activity and almost all its finance. But about the beginning of this year there was a turn both in popular feeling and in Party outlook. The war in Korea had enabled the activists to do many things they would have been unable to do otherwise, and the Vanguardist leaders were still boasting that the war had been "a great dynamic power which drove forward our national construction programmes in all respects." They were confident, they said, that victory could be won on both fronts—war abroad and revolution at home. But the people were already murmuring; confusion reigned over the Five Year Plan; merchants and industrialists feared construction levies instead of war levies, and they had little left; taxation was already severe, and in the countryside there was trouble, fear and anger.

The Vanguardists therefore were waved off into the wings and other names gained prominence. Successive congresses of national bodies were held, without the usual oratory of the Vanguardist Mayor of Peking, Peng Chen. Chen Yun and Po I-po, who had led the socialising drive, fell into silence, and the latter was dismissed from his post as finance minister.

"Five-Too-Many Evils"

The "tiger-hunting" activists of the Youth League were warned off the bourgeoisie and the individual peasant alike. Criticism has even been allowed to invade the domain of the all-powerful head of the North-east government, Kao Kang, the first of the Vanguardists. Instead of the five crimes of the bourgeoisie the "five-too-many evils" of the bureaucracy and the State enterprises have been assailed—too many tasks, too many meetings, too many documents and forms, too many organisations, and too many concurrent posts for the official cadres.

Scarcely a state enterprise has not been under fire, for absenteeism, labour indiscipline, and shocking mismanagement; there have been complaints of wilful neglect of freight by the railways, of wanton waste and adventurism in the handling of precious timber supplies, and of every other kind of evil. The heaviest blow was administered by Li Fu-chun—who popped up as Chen Yun popped down—in his report as Vice-Director of Economic and Financial Affairs to the Youth League Congress in Peking. "Even political conditions internally," he admitted, "are too immature for a Five Year Plan." They had not consolidated the alliance between the peasantry and the workers as yet, and this must be "the starting point in all planning and policy." The revolution, in fact, has not only failed to make ground among the farmers—it has lost what it gained by the strenuous work of the activists.

The Chinese are approaching what is certain to be a winter of discontent—and worse, for famine is feared since the late crops cannot possibly make up now for the heavy losses in the earlier months. The effects are bound to be acute not only on the livelihood of the people and on their expendable income but on the general standard of

economic activity, the government's finances, and the construction plans.

The alternatives before the ruling group are to relax still further the Socialistic measures of the Vanguardists and reassure the bourgeois industrialists—in other words continue to mark time—or to surrender the field to the activists again. The dilemma is all the more acute because in so many ways the Soviet Union is moving in a different direction from the still infant Chinese revolution.

The Attack Against the Polish Church

IT is clear that the recent trial of the Polish bishop, Kaczmarek, and the removal of the Polish Primate, Cardinal Wyszyński, are part of a determined effort by the Communist régime to break the Polish Episcopate. Its object, of course, is to destroy the prestige and influence—intolerable to the Communists—of the Catholic Church in Poland. But the régime's chances of an easy victory are not good. The bishops have gone as far as they decently could to meet the Communists' wishes. It appears that it is the régime not the church that has consistently flouted the church-state agreement of 1950. Many Catholic schools have been liquidated and all forms of religious teaching are being systematically stifled. The censorship of the Catholic press and publications has become increasingly severe and unscrupulous. Political pressure on the lower clergy and attempts to divide them from the hierarchy have been stepped up—but with little success. Interference by the state in church affairs, especially in the appointment and removal of priests and bishops, has become more and more widespread. The bishops themselves are increasingly subject to open attack and intimidation; at least eight of them have been either arrested or removed from their dioceses. Faced with all this accumulated evidence of Communist hostility it seems that the bishops, contrary to earlier reports, are inclined to dig in their toes. Only eight bishops were present at the meeting at which the episcopal letter condemning the Cardinal was drawn up, and none of them actually signed the letter.

Vatican and Oder-Neisse

It is, indeed, doubtful whether the Communists are seriously interested in a *modus vivendi* with the Church; it looks as if they are only interested in discrediting it. One of their major and constantly reiterated complaints against the Church is that no permanent ecclesiastical administration has been set up in the Western Territories; and from this they argue that the bishops and the Vatican are really in favour of handing these lands back to Germany. This is an excellent stick with which to beat the Church since every Pole, whatever his political beliefs, wants to hang on to the Western Territories. But the latest evidence suggests that it is a complete distortion of the facts.

The Vatican, it is true, will not appoint permanent bishops in the Western Territories; its reason is that the Oder-Neisse frontier has never been the subject of a permanent political settlement between the great powers (only between Poland and East Germany) and that it cannot anticipate the terms of this settlement. But the Polish

Church has done everything it can to set up a flourishing ecclesiastical organisation in the Western Territories. Its efforts could have been successful, if they had not been deliberately sabotaged by the government. The régime has disrupted the work of many of the Polish priests sent into the recovered lands by forcing them to leave their new parishes. The decree of February 9, 1953, which, among other things, allows the state to remove priests without any reason given, has been used to the greatest effect in the Western Territories. Moreover, the government has also done its best to perpetuate the temporary nature of the four new administrative units set up by the Church at Wrocław, Opole, Gorzów and Olsztyn. For when Cardinal Wyszyński obtained permission from the Pope to appoint four titular bishops in these new dioceses, the government refused to allow them to take office. Thus it has frustrated the Church's efforts to stabilise its organisation in the Western Territories at all levels on a basis that was to all intents and purposes permanent, while at the same time heaping continuous abuse on the Church authorities for their failure to do this very thing.

These facts were contained in a letter addressed by the Polish Episcopate to Bierut last May in protest against the Communists' treatment of the Church. The letter was suppressed by the government, but an authentic text has recently reached the West. It demonstrates to what lengths the Communists are prepared to go to undermine the faith of the Polish people in the Catholic Church.

Worried Journalists in the Americas

FROM A CORRESPONDENT IN MEXICO

THROUGHOUT the Americas, the past year has seen dangerous backsliding from the ideals of a free press and liberty of expression. A list of new offences against free expression was recently put together by the Inter-American Press Association at its ninth annual meeting in Mexico City. Despite the temptation, especially strong among Latins, to indulge exclusively in self-praise when others are listening, the editors and publishers in the association squared boldly up to the trouble. It was a strange sort of meeting, as such things go nowadays, because the usual ringing phrases were soon abandoned in favour of realism.

The association is composed of journalists, editors and publishers, and it is strictly non-political. As a result it is a more useful body than committees of the United Nations or the Pan-American Union, such as the abortive UN committees that set out to write a treaty on press freedom and wound up with what was virtually a code of subservience. It is different because it has a clear idea about what constitutes freedom of information. It bars from membership any publications judged to be Fascist or Communist, or the tools of totalitarian governments. Since its members know what they mean by these things, they have not bogged down in futile discussion of qualifications that would be open to misinterpretation anyway.

At Mexico City the association reviewed, country by country, the situation of the press in the two continents. Ten of the 21 American republics were judged guilty, not so much for failing to live up to general standards, but for

specific measures that impeded honest publishing. They were: Argentina, Bolivia, Brazil, Colombia, Cuba, the Dominican Republic, Nicaragua, Paraguay, Peru and Venezuela.

Argentina and Cuba received the most bitter criticism. In a heartily applauded speech, the association's president, Mr John S. Knight, owner of the *Chicago Daily News* and other papers, criticised his own government for its apparently pleased response to General Perón's recent blandishments. He deplored Dr Milton Eisenhower's visit to Argentina and argued that any rapprochement between the two countries at the moment "can only spread further disillusionment and pessimism among the other South American countries."

Almost as refreshing as the frank listing of infringements of press freedom was the association's avoidance of sweeping pledges that it would, or could, soon put all right. In fact, it was admitted that its greatest efforts had produced comparatively small results. Nevertheless, there were some victories to report. In Ecuador, in April, President Velasco Ibarra had closed down two newspapers, *La Nación* and *La Hora*, and jailed their editors for criticising his government. But after a campaign by other local publishers and the association, they were released and the papers resumed publication in August. Again, the combined efforts of a Brazilian newspaper owner, who spent two days in jail for his pains, and of the association had forced the Brazilian government to stop putting pressure on the country's independent press through unfair competition by an officially supported group of newspapers.

Compared to the new pressures imposed by governments on the press, the relief that had been secured was relatively small, but the association could justly claim that it did even a little more than the cold records show to keep a bad situation from being worse. Its mere existence may remind persecuted publishers that they are not fighting their battles entirely alone; and angry governments may consider the unfavourable publicity that they will earn their countries before they decide to padlock newspapers or jail editors.

There was no attempt at Mexico City to analyse the reasons for the "ominous trend" toward increasing government attempts to dominate the press. It was simply pointed out that, more and more, governments are insisting that anything short of adulation is subversion. Some of the new press laws were very similar, the association was told, to those of Fascist Italy.

Portugal's Trade

BY A CORRESPONDENT RECENTLY IN PORTUGAL

THE journey from Madrid to Lisbon is one of contrasts. Crossing the frontier, one leaves the barren landscape of Extremadura and enters a country of small, well-kept fields and neat whitewashed houses. Two hours later the first sight of Lisbon is of the great new housing estate of Encarnação, and from there into the city the impression is of enormous building activity. Lisbon is growing rapidly, partly because of genuine prosperity, but partly, too, because current trends are centralising Portuguese life and the Portuguese economy in the capital and developing it at the expense of the rest of the country.

Portugal has had two recent periods of outstanding

economic success. One was during the war, when both sides were competing for its favour and its minerals; the second was the Korean boom, when the United States stockpiled cork and wolfram prices were high. The balance of payments showed a surplus on visible account in 1946 and again for a time in 1950-51, though in between there had been a sharp crisis. Marshall Aid was first accepted in 1949-50, and by the end of 1950 the metropolitan and overseas territories together had become a creditor in EPU to the point where exports had to be restricted, export earnings had to be blocked, imports were liberalised, and the escudo was treated as though in some respects it was a hard currency. Then a deterioration set in, and today there is a deficit with every part of the world except Eastern Europe. In the first half of 1953, exports from Portugal to countries other than its overseas territories covered only 56 per cent of imports; imports were some 800 million escudos (£10 million) less than in the corresponding months of 1952, but exports were down by almost exactly the same proportion.

The half dozen commodities which form the bulk of the export trade—cork, sardines, timber, wines and wolfram—are highly sensitive to market variations, and several of them to weather conditions as well; the drought which has persisted for the last eighteen months is one of the causes of the present troubles. Imports are affected, too, for though agriculture is fairly efficient (it could be more so if the system of land inheritance did not lead to excessive fragmentation of holdings) wheat is imported from the United States and Canada and even potatoes from Great Britain; this year it was hoped that wheat imports would not be needed, but the final results of the harvest are less satisfactory than the estimates.

Sales of Cork to Russia

Cork and its products form nearly 30 per cent of exports (by value), but the trade has become curiously unbalanced. Exports boomed in 1950 and 1951, when the American market was taking the raw material for storing as well as the manufactures which it is cheaper to import than to make in the United States. Prices rose rapidly to a peak early in 1952, and have since fallen; but while the average export price of manufactures is now down to about 80 per cent of 1948 levels, unmanufactured cork has stayed near the 200 per cent level—largely because growers, accustomed to a seller's market, prefer to leave it to accumulate on the trees rather than accept a lower price. Manufacturers who own their cork forests can make the best of both worlds, but those who buy from private growers have seen their margins cut to the point of disaster. The Soviet Union has, incidentally, become the third largest customer for unmanufactured cork (next to the USA and Britain); this accounts for Portugal's trading surplus with Eastern Europe.

Sardines are a fickle fish, plentiful in some years and elusive in others; moreover tinned sardines have suffered almost every time a European country has had to tighten its import restrictions. The chief buyers are Italy, Germany and the United States. Exports have increased in volume each year since 1949, though still not to prewar levels; but prices have fallen steadily for three seasons, and the trade has some of the marks of depression. Nor are the prospects good, for the experts believe that the shoals are deserting Portuguese waters.

Britain dominates the timber market, and pit-props account for three quarters of the value of Portuguese exports. Sales in 1952 reached the 1938 level for the first time since the war, but will probably be lower this year. The wine trade also looks towards Britain, but is at present undergoing a severe contraction. The last of the main exports is wolfram, which is mined in the northern provinces and sold chiefly to the United States. In 1952, when Portugal was still the third biggest producer in the world, exports at 4,495 tons were 80 per cent above the prewar level and the price was sixteen times as high. But in the first half of 1953 exports were down to 1,464 tons and still falling, and the price was declining rapidly. The loss of this trade is serious for the whole Portuguese economy. It is particularly serious for the northern part of the country, which is also suffering from the port wine slump, and northerners complain that the authorities in distant Lisbon pay all too little attention to their plight.

On the import side, machinery from America and Europe and cotton from the African territories (one must not call them colonies now) head the list. The government's programme of industrialisation is ambitious—

PRINCIPAL EXPORTS* OF PORTUGAL (BY VALUE)
1937 and 1953 (January to June)

	1937		1953 (Jan. to June)	
	'000 escudos	% of total	'000 escudos	% of total
Cork & cork products	219,952	18.1	574,120	28.9
Wolfram	12,760	1.0	163,264	8.2
Other materials	38,830	3.2	156,000	8.1
Sardines	202,651	16.6	240,000	12.1
Port wine	186,471	15.3	117,996	5.9
Total exports	1,216,267	...	1,982,909	...

* Excluding exports to Portuguese overseas territories.

perhaps too ambitious, since it also involves enormous expenditure on hydro-electric development. In the manufacturing industries already developed, of which cotton spinning and weaving are the largest, costs tend to be high; wages are below the levels of north-western Europe, but it is difficult to get high productivity out of a largely illiterate labour force, and redeployment is a slow process when workers have to be taught to read before they can follow new instructions. The quality of the textiles is, however, quite good, and there is an export trade with the overseas territories and North Africa; last year a consignment of grey cloth was even sent to Manchester. Larger exports might be possible if only the Portuguese public (or the weavers; it is hard to say which is responsible) did not prefer narrow widths of fabric which cannot be sold abroad.

Yet despite the deterioration since 1951, the general picture of the Portuguese economy is not discouraging—particularly not to anyone who knew the country twenty years ago. Dr Salazar has had his share of luck. But he and his colleagues have turned it to good account, and whatever criticisms may be levelled against them they have created a stability which would once have seemed unthinkable.



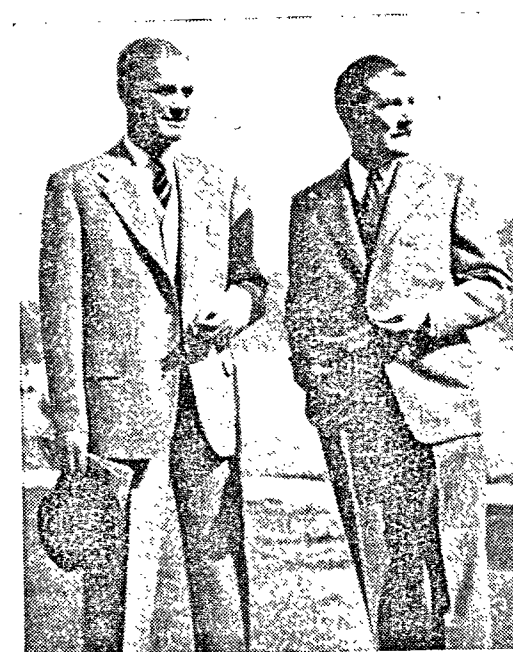
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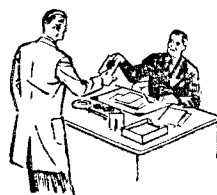
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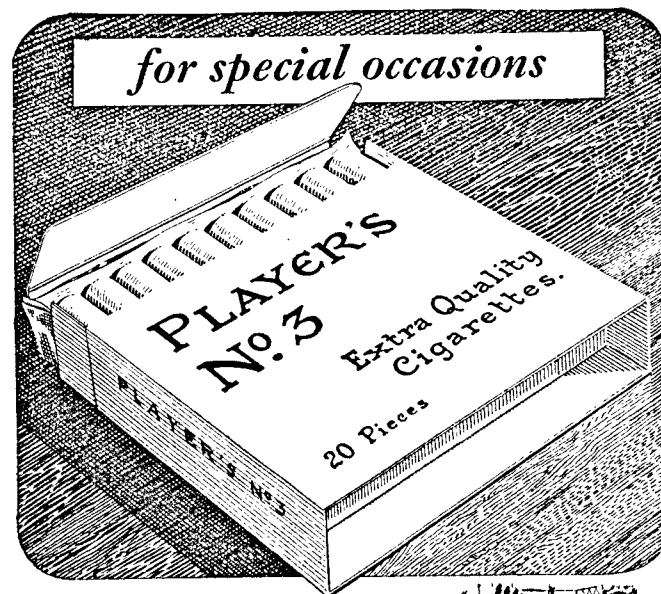
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THE BUSINESS WORLD

Steel and the Public

WHEN the lists opened on Thursday morning for the offer of United Steel Companies ordinary shares, the general feeling in the market was that the issue would "go." It will not be for want of skill in preparing the offer or of quality in the shares themselves if this is not so. It is simpler to say "denationalise" than to do it, but it is of the highest importance, once denationalisation has been ordered (and in the case of steel most rightly ordered) to spare no effort to make the first major share issue a success. It has to be followed—if the first phase of denationalisation is to succeed—by a series of share offers on behalf of steel companies comparable in size and in quality with United Steel Companies itself. The prospects for this first issue involve in their turn the outlook for a whole programme of issues stretching over many months—and even when that is successfully out of the way, it will still be only a beginning towards the "return to private ownership" of the companies owned by the Iron and Steel Holding and Realisation Agency.

The fourteen million £1 ordinary shares of United Steel are being offered at 25s., which can be paid either in cash or by the tendering of certain gilt-edged securities at prices which the Bank of England have published. Preferential consideration is to be given to applications from shareholders who were on the register on February 14, 1951 (the eve of vesting date, by which time there were large institutional holdings of steel shares, bought as a cheap way into the gilt-edged market). The complications of tendering gilt-edged stocks and the offer of preferential consideration for former shareholders are no doubt largely responsible for the fact that the lists remain open for ten working days. It seems quite clear from the time-table adopted for the United Steel issue that not more than one other steel issue can make its bow before Christmas. The

period of risk, for an issue of this size and complexity, cannot be called agreeably short.

It is a risk that falls primarily on the shoulders of a consortium of eight leading finance houses who have agreed to procure applications for the whole issue on firm underwriting terms; and it is no secret that the success of the issue leans heavily on the support that institutional investors have been encouraged to provide for it. The offer for sale is none the worse for that fact, and the demonstration that co-operation in the City of London can match the burdens and intricacies of this issue and its successors is worthy of all proper praise. But it is not only the political critics of denationalisation who would draw some distinctions between "private ownership" and "institutional ownership" of the leading companies in the steel industry. The great unknown is whether the private investor will be prepared to come in as an appreciable applicant for United Steel.

He is so constantly reminded of the political risks of doing so that it may be more realistic to accept the threat of renationalisation for what it is worth—and in the end it might not be worth very much—and concentrate attention on what it is that the private investor will buy when he puts down 25s. for a United Steel ordinary share. He will get, first and foremost, an equity in a diversified and highly efficient group ranging over a large area of the steel industry—a group that last year produced more than a fifth of the iron ore and more than an eighth of the pig iron and ingot steel turned out in this country. Its technical skill in smelting lean home ores is unsurpassed; its advances in blast furnace and steel smelting practice have been important; it is one of the biggest producers of special steels in the country; and since the war it has spent £38 million on capital development, mostly from its

internal resources. Thirteen months ago, the group's net tangible assets were little short of £30 million, of which just over £5 million was matched by preference capital, leaving say £25 million of net assets to be attributed to slightly more than £10 million of ordinary capital. There have been changes in capital structure to march with the new issue—in particular a new class of 5½ per cent. redeemable preference shares (of which 2,500,000 have been allotted to the Agency on the capitalisation of reserves and 1,500,000 subscribed at par by the Agency for cash) and the raising of the ordinary capital to a round £14 million (by the same capitalisation of reserves). But taking a short cut through these complications, it is clear that 25s. a share does not overstate the asset value of United Steel.

That, however, is not a determining fact. To the investor, the prospects of earnings and dividends are the paramount consideration. Here the prospectus employs broad brush strokes. Profits for the 53-week period to October 3, 1953, will be of the order of £9 million, after charging depreciation but before interest. But this profit was "exceptionally high," and the directors prefer to take £6 million as a reasonable datum for dividend policy; this would cover the 9 per cent. dividend that the directors suggest by earnings equivalent (on a full distribution and with allowance for profits tax) to nearly 25 per cent. This calculation deducts the interest on £10 million of 4½ per cent. debenture stock 1968-78 that the Agency is subscribing at 98, whereas the benefit of this new money is included in the round figure of £6 million profit after depreciation.

The estimate seems cautious, but it is right that it should be so. Steel output in this country is running as high as ever, but across the whole world there are

signs of greater competition for markets. The export premiums which no doubt added their quota to the "exceptionally high" profits of United Steel in the latest year had run off before it ended. There have also been important changes in the cost of imported steel-making materials as international competition for iron ore, scrap and tonnage has become less frantic. But it is never possible to work out the cross-cut effect of these various factors on the profit earning prospects of a single steel producer. The Iron and Steel Act charges the Iron and Steel Board to promote "the efficient, economic and adequate supply under competitive conditions of iron and steel products" and it is no simple matter to translate "competitive conditions" into terms that square with the working of the "industry fund" in which United Steel and the majority of steel producers have co-operated. A year ago the industry fund (burdened admittedly by exceptionally high import of steel-making materials) seems to have redistributed across the whole steel industry a sum as large as the industry's entire net profits which was made up of the extra costs of imported raw materials.

The offer for sale brings the existence of the industry fund to the investor's notice and leaves it to be inferred that the levies may in future be lower. But it does not tell him how United Steel Companies fared on balance from the operation of the various levies imposed by the fund. As a large producer of steel from home ore, its costs must have been increased in order to equalise the costs of other producers who depended on "expensive" imported ore or scrap; but it does not follow that other sections of the undertaking did not gain from the fund. This pooling of costs is a matter of concern to the investor. He is rightly told—though in general terms—that it goes on. But he is

not taken any distance at all towards a closer appreciation of "competitive conditions" in the supply of steel, or of the Board's possible ideas about maximum prices in the future. This last point is of particular importance because—to employ a sweeping summary—prices of crude steel have been kept too low and prices of finished steel have been too high. The satisfactory financing of major schemes for increasing crude steel capacity could in future involve changes in the orders of profitability that have almost become traditional in the steel industry.

The ordinary applicant need not concern himself too closely with these questions at this stage—for he may be permitted the reflection that, while the industry is busy, one good steel share is likely to be very much the same thing as another good steel share. He now has to decide whether a prospective yield of 7.2 per cent on a 9 per cent dividend—a generous 1½ per cent more than the current return on blue chips—is enough to discount political and economic risks. It is at any rate a margin that is a good deal more reasonable than the margin suggested by some spokesmen in the steel industry six months ago. But realism is not necessarily an attraction in itself. The yield recognises the risks, but it may not discount them at more than the due rate that they deserve. Some investors, too, may ponder the industry's financial commitments for expansion schemes during the next five years and conclude that steel shares are not likely to include any big "growth" element during that period.

Yet, in just over a week's time, it may still be discovered that those responsible for the United Steel offer have achieved a *tour de force*, hitting a price and terms that give nothing lavish away, but are sufficient to attract a significant volume of genuine private applications and to hold a firm opening price. That would be the best outcome, for a variety of reasons. The real test of success is the acceptance of risk investment in steel by the private investor. He may be buttressed

by the institutions and the pension funds, but these have not the resources—nor have they any right, given their fiduciary responsibilities—to take up unlimited slabs of steel shares. Again, it may prove to be one of the paradoxes of this first steel issue, and of good hope for its successors, that whereas a big opening premium would be too great a temptation for many applicants to resist, a firm price at par or a little better might be accepted as the condition of an orderly market.

TENDER OF BRITISH GOVERNMENT STOCKS IN PAYMENT FOR UNITED STEEL SHARES

	Per £100 nominal		Per £100 nominal
2½% Consols	63 19 4	3% Funding 1966/68.	100 15 7*
4% Consols	94 5 3	4% Funding 1960/90.	102 8 0
3½% Conversion	85 4 7	3% Nat. Def. 1954/58	100 17 1
		2½% N.W. Bds. '52/54	101 4 11
		2½% N.W. Bds. '54/56	
2½% Exchequer 1955.	100 16 0	2½% Saving 1964/67.	89 15 7*
3% Exchequer 1960..	102 2 9	3% Saving 1955/65..	97 12 6
3% Exch. 1962/63...	99 17 6*	3% Saving 1960/70..	91 13 5
1½% Serial Fund. '53,	99 19 2*	3% Saving 1965/75..	89 4 7
Ass. '54		2½% Treasury	63 14 4
1½% Serial Fund. '53,	99 14 4*	3% Treasury	74 10 1
Ass. '57		3% Treasury 1977/80	93 5 9*
1½% Serial Fund. 1954	99 19 2*	3% Treasury 1979/81†	93 15 0
3% Serial Fund. 1955.	101 11 8*	3% War Loan 1955/59	102 0 2
2½% Funding 1956/61	97 18 6	3½% War Loan	84 6 11
2½% Funding 1952/57	100 12 2*		
3% Funding 1959/69.	92 6 0		

* Excluding interest shortly due. † Originally Iron and Steel Stock.

But there may well have to be second thoughts on some technical aspects of the issue. A ten-day issue may be unavoidable if former shareholders are to be allowed to apply on pink forms. But if the arrangements for tendering gilt-edged stocks are to be repeated, it will inevitably follow that, at intervals stretching out over the next twelve months, the gilt-edged market will be solidly frozen for periods of up to a fortnight—as in effect it is frozen at present. This is a heavy price to pay for assisting the successful issue of steel shares, and it calls for the most careful reconsideration.

Bare Balance

THE new White Paper on the balance of payments (Cmd. 8976) confirms that the deterioration in Britain's external surplus in the first half of this year was not as alarming as some pessimists had at first suggested; although it should be added that it was also not as innocuous as some official explainers have since tried to make it appear. The drop in the surplus (exclusive of defence aid) from £93 million in the second half of 1952 to £26 million in the first half of 1953 was much more than accounted for by an increase of £135 million in imports, of which £108 million went on increased purchases of food and feeding stuffs. This increase was £114 million greater than the rather disappointing increase of only £21 million in exports; in consequence Britain's visible deficit widened by £114

million to £140 million, but its surplus on invisibles (aided by lower outlays on interest payments and travel) rose by £47 million to £166 million.

The most cheering feature of the new statistics, however, is that, despite the drop of £67 million in the total surplus, Britain's balance with the dollar area improved by £62 million and its balance with Western Europe improved by £6 million between these two latest half years. The deterioration occurred wholly with soft currency countries—that is, with the overseas sterling area (by £34 million) and with the residual group "other non-sterling countries" (by £101 million). More than half of the deterioration with these "other non-sterling countries" and, therefore, nearly five-sixths of the deterioration as a whole, occurred with the

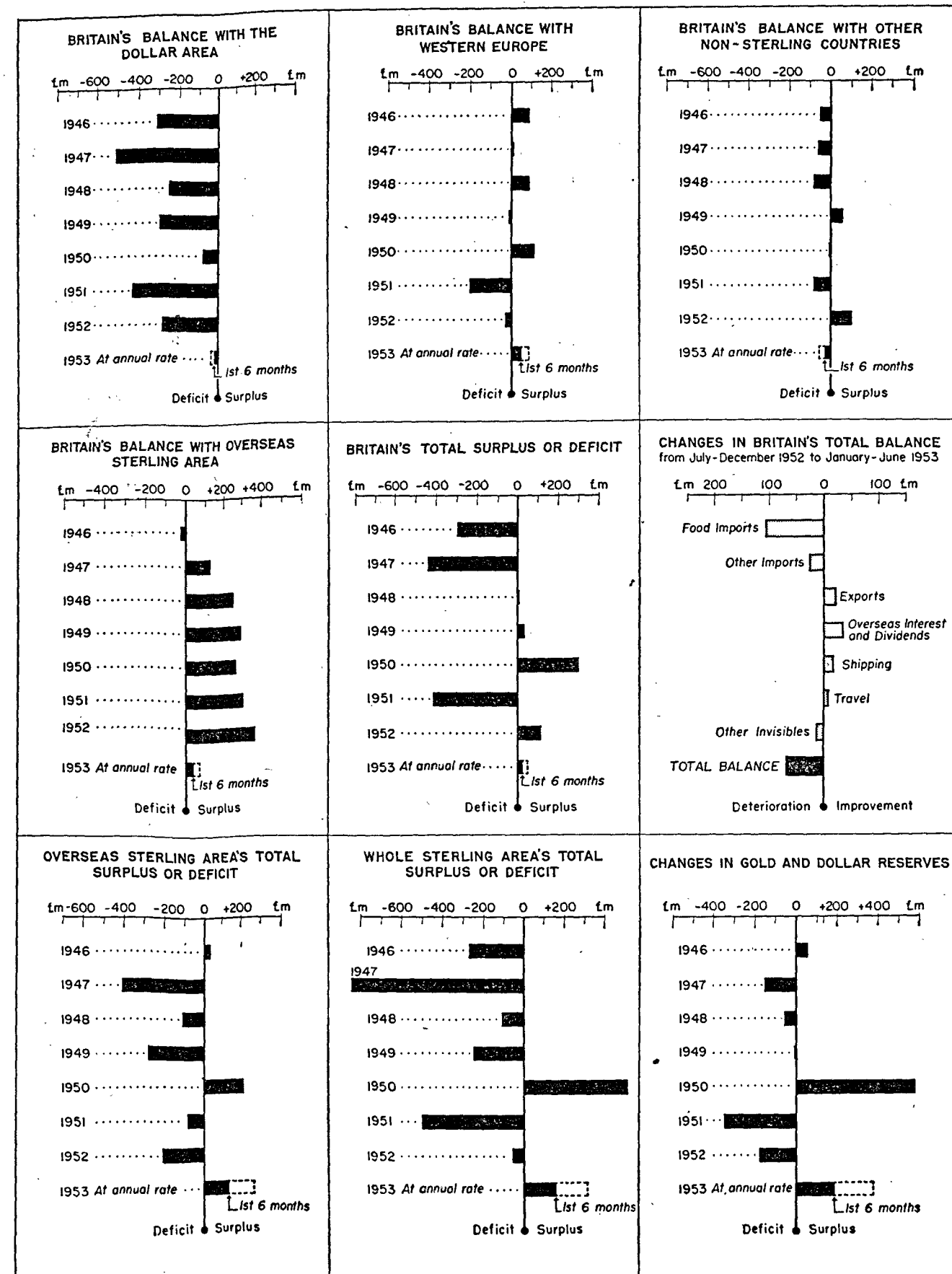
STEEL PROFITS AND CAPITAL

(£'000s)

Years to September 27, 1952	United Steel	Dorman Long	Stewarts & Lloyds	John Summers	Colvilles	Lancashire Steel	Whitehead Iron
Profits, before tax	5,959 (a)	5,333	13,395	2,728	4,756	2,348	1,227
Net income, after tax	1,961	2,244	5,571	1,409	2,072	1,183	557
Net tangible assets	29,716	11,392	41,335	16,997	18,348	11,288	3,700
Loans from or to I. & S.C.*	2,000	...	...	...	5,500	2,500	50
Prospective developm't programme†	24,500	36,500	15,500	5,500	28,000	8,500	...
Capital Structure‡							
<i>On vesting day:—</i>							
Debt	...	921 (b)	2,306 (b)	...	...	...	...
Preference	5,097	4,034	3,613	3,000	2,000	2,198	...
Ordinary	10,194	3,481	8,173	3,674	3,920	3,462	784
<i>On September 30, 1952:—</i>							
Debt	...	...	...	5,000 (c)	...	...	...
Preference	5,097	...	...	3,000	2,000	2,198	...
Ordinary shares	10,194	7,515	11,786	3,674	3,920	3,462	784
Nominal value	£1	£1	£1	£1	£1	£1	£1
Taken over at	£1 10s. 4d.	£1 13s. 1d.	£2 17s. 4d.	£1 14s. 0d.	£1 18s. 0d.	£1 15s. 0d.	£6 3s. 7d.
Offered at	£1 5s. 0d.	...	...	...	...	...	...

* Loans from the Corporation shown in roman type; loans to Corporation shown in italics. † As foreshadowed in last report of Corporation. ‡ At nominal values. (a) Profits as shown in prospectus. (b) Redeemed since vesting day. (c) Wholly loaned by private investors.

Britain's Balance of Payments 1946-1953



dubious debtors of southern Latin America. There is not much to complain about if these figures mean mainly that Britain has been devoting to domestic re-stocking the money that it had previously used for unintentional long-term loans to Brazil.

The record of Cmd 8766, in short, is of an approach to better regional balance; and it is in that light that its story—both of the long haul since 1946 (the paper sets down revised figures for the whole postwar period) and the latest chapter in it—deserves to be read. The principal features are illustrated in the accompanying charts. It will be seen from the first chart that Britain's deficit with the dollar area declined from £510 million in 1946 to £282 million in 1952; it had been much lower (at only £80 million) in 1950, but that was because Britain had run down its stocks of dollar commodities in that year—an act of improvidence that was directly responsible for the large deficit of £426 million in 1951. The improvement of £228 million between 1947 and 1952 was wholly due to an increase of no less than £281 million (or 216 per cent) in dollar exports; in these five years dollar imports increased by £29 million (or only 5 per cent despite a rise of 8½ per cent in American export prices), but the dollar balance on invisibles deteriorated by £24 million—thanks wholly to the interest payment of £39 million that is now made at the end of each December on the postwar American loans. The latest chapter in the story is that Britain's direct dollar balance improved again, from a deficit of £83 million to a deficit of £21 million, between the second half of 1952 and the first half of 1953; but this was almost wholly explained by an improvement of £60 million in invisibles, of which £39 million was due to the fact that the most recent half year did not include a December 31st. Britain's achievements in bringing its direct dollar deficit under control in the last six years of boom have been great; but it would be a mistake to suppose that the achievements in the latest half year have shown a marked acceleration of this favourable trend.

With the OEEC countries Britain achieved a surplus of £40 million in the first half of this year—much the same as the annual rate of surplus in 1946 and 1948, before Germany's recovery began; but the improvement of £6 million between the second half of 1952 and the first half of 1953 was again wholly due to an improvement of £16 million in invisibles, for which a seasonal cut in British travel expenditure (by £5 million) was partly responsible. Moreover, this surplus has been achieved behind a barrier of rigid restrictions on imports from Europe; the easings promised by Mr. Butler on Thursday may make it difficult for Britain to maintain any surplus with Western Europe at all.

With the residual group "other non-sterling countries"—which includes a wide range of countries in southern South America, Asia and behind the Iron Curtain—Britain ran a deficit of £31 million in the first half of 1953, compared with a quite abnormal surplus of £70 million in the second half of 1952. Exports to these countries fell by £30 million between the two

half years, while exports to all countries outside the group rose by £51 million; by contrast, imports from this area, almost wholly of food and raw materials, rose by £46 million. The "deterioration" in this sector is mainly a sign that import restrictions in these countries have gone up as their war-accumulated sterling balances have come down (from £844 million at the end of 1946 to £371 million in the middle of 1953); it is not a development that is to be regretted from this country's point of view—except that it is disappointing that British exports to the Middle East (to which a Board of Trade mission is now being sent) have not increased more substantially in line with the oil boom.

There remains Britain's surplus with the overseas sterling area, which had been running at the exorbitant annual rate of between £250 and £310 million in 1948-51—and was up to a still more exorbitant £293 million (that is, an annual rate of £586 million) in the first six months of 1952. In the first six months of 1953 this surplus was down to £38 million; exports to this area were £160 million lower than a year before and imports from it (especially of food and raw materials) were £85 million higher. By dint of this economy in imports from—and expansion in exports to—Britain, the overseas sterling area at long last returned to surplus (of £132 million) in its own total balance of payments; since its cumulative deficit—and thus its cumulative strain on Britain—in the period 1947-52 was some £873 million (thanks wholly to the profligacy of the overseas dominions) there must be heartfelt thanks for this belated relief.

The overseas sterling area's total surplus of £132 million in the first half of this year combined with Britain's total surplus of £26 million to give the sterling area as a whole a surplus of £158 million. Part of this surplus was paid for by new drafts on the sterling balances of non-sterling countries (reduced by £38 million to £716 million), and another part had to be devoted to debt repayments to EPU and elsewhere; but the strain imposed by these obligations was more than offset by the receipt of £55 million of American aid, and the gold and dollar reserves increased by £186 million. This was a reasonable rate of gain for a half year in which worldwide inflation had gone off the boil. Three years ago, in 1950, the sterling area proved that it could keep healthy in high summer. Now, in the year to June 30, 1953, it has shown that it can stand up to a cool summer. It remains to be seen how successfully it might weather a hard winter—or even an inclement fall.

Autumn Books

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Business Notes

Britain Gets the Waiver

BRITAIN has received permission from Gatt to raise tariffs on foreign products, while still allowing them duty-free entry from the Commonwealth. Last Saturday, the final day of Gatt's session at Geneva, this controversial "waiver" was granted by twenty-six votes to nil; although seven countries, including France, the Netherlands, Denmark and Italy, abstained—after fighting a continuous defensive action against the British initiative. Britain's new freedom, however, is rigidly restricted. In the first place, it will apply only to goods that Commonwealth countries have been able to send in duty-free since January, 1939. Secondly, Britain must show that any new preferences created thereby will not cause a diversion of its imports from foreign to Commonwealth sources. Thirdly—and most important—Britain must consult with exporting countries before increasing the tariffs concerned; and these exporting countries will have the right to refer the matter to arbitration if they consider themselves threatened by unduly harsh treatment.

It was no doubt these restrictions that the President of the Board of Trade had in mind when he said in Parliament this week that "the procedures agreed to in Geneva fall somewhat short of what we should have liked to obtain to meet our difficulties in full." These difficulties flow from the Government's pledge to give increased tariff protection to British horticulture, to replace the thoroughly undesirable form of protection that is at present provided for it by import quotas and seasonal embargoes. The machinery for securing the tariff increases has already been set in motion, and the British Government has notified to Gatt the items on which it wishes to increase tariffs; the contracting parties now have thirty days in which to lodge complaints and appeal to arbitration. Although the list has not been published, it is understood that Britain originally hoped to raise tariffs on some 40 items—mainly vegetables, fruit and flowers.

Reviewing Gatt

MEANWHILE the year ahead promises to be the most critical in Gatt's short history. It was unanimously agreed at Geneva that a special session of the contracting parties should be called on or after October 15, 1954, in order to examine "to what extent it would be desirable to amend or supplement the existing provisions of Gatt and what changes should be made in the arrangements for its administration in order that Gatt may contribute more effectively towards the attainment of its

objectives." An invitation has been sent to the contracting parties to submit proposals for such reform not later than July 1st next.

Britain would be wise to tread very cautiously in this matter. The debates at Geneva showed that the vast majority of foreign countries are in favour not only of maintaining some such organisation as Gatt but of giving it a more permanent form than it at present possesses; indeed some countries pleaded—probably unwisely—for an extension of Gatt into something nearer the full charter of the International Trade Organisation, with polite but unenforceable platitudes about the need for maintaining full employment succouring under-developed territories, and so on. It is quite obvious, however, that the results of this fundamental review of Gatt must in the main be determined by the nature of the Clarence Randall Report on America's foreign economic policy, and by the Congressional reaction to whatever that Commission recommends. It is probable that no clear appreciation of those Congressional reactions will be apparent by October 15th next year; and, for this reason, it would be wise to keep the timetable for the review of Gatt as well as the target date for presentation of Britain's proposals as flexible as possible. So far, Britain has quite clearly gained more from Gatt (through the reductions negotiated in the American and other tariffs) than it has lost from it. It may be that, as Britain moves further along the road towards restricting imports by tariffs rather than by illiberal licensing provisions, the restrictions on Imperial Preference and the rest will begin to hurt—instead of, as at the moment, merely being said to hurt. Everything will then depend on whether the door to further lowering of the American tariff looks like being gradually opened or summarily shut.

Boomlet in Bank Shares

FOR the second time this year a member of that select and staid group of institutions, the "Big Five" banks, has set hearts beating faster in the bank share market—by breaking the assumption that the dividends of the big banks never change. The trail was blazed by the National Provincial Bank, which last January raised its final payment by 1 per cent, and last July its 1953 interim by a like amount, implying an increase of 2 per cent (to 17 per cent) for the full year, the first changes since 1932. Now comes Barclays, with a capital reorganisation scheme that will effectively raise its equity payment by 2 per cent beyond the 14 per cent that has been paid since 1920. This has had shattering effects upon the old assumption, for this bank has the longest tradition of dividend stabilisation of

all the clearing banks; it was the only one of them that did not reduce its dividend during the crisis of 1930-32.

It is small wonder that buyers have this week been eagerly seeking the shares of the other big banks—and, indeed, of the discount companies, too. Though the recent reduction of Bank rate has squeezed the banks' profit margins—since rates paid on deposit accounts have fallen by less than those earned on advances, and the yield from other assets is also falling—it is well known that up to that moment the banks' earnings experience this year had been unusually favourable.

	PRICE				YIELD			
	Dec. 31, 1952	Oct. 21, 1953	Oct. 26, 1953	Oct. 28, 1953	Dec. 31, 1952	Oct. 21, 1953	Oct. 26, 1953	Oct. 28, 1953
Barclays 'B' £1	58/-	68/-	71/6	71/6	4 16 7	4 2 4	4 9 6*	4 9 6*
Lloyds 'A' £5 (£1 paid)	48/-	57/6	59/-	59/-	5 0 0	4 3 6	4 1 4	4 1 4
Midland £1	63/-	75/-	77/6	78/6	5 0 9	4 5 4	4 2 7	4 1 6
Nat. Prov. 'B' £5 (£1 paid)	59/-	73/6	75/-	75/-	5 1 8	4 12 6	4 10 8	4 10 8
Westminster £4 (£1 paid)	72/-	84/-	87/-	87/-	5 0 0	4 5 9	4 2 9	4 2 9
Nat. Discount 'B'	43/-	52/6	54/-	54/-	4 13 0	3 16 2	3 14 1	3 14 1
Union Discount	41/-	48/-	49/-	49/-	4 17 7	4 3 4	4 1 8	4 1 8
2½% Consols	58½	63½	63½	63½	4 5 5	3 18 9	3 18 8	3 18 8

* On basis of 16 per cent dividend.

The optimists should be warned, however, that early this year the chairman of at least one of the big banks (the Midland) seemed to be committing himself to the view that bank shares ought to be regarded as virtually "fixed-interest" securities. As the accompanying table shows, the yields on the ordinary shares of the three biggest banks apart from the National Provincial and Barclays (Lloyds, the Midland and the Westminster) are now only between 2s. 6d. and 4s. per cent above the yield on old Consols, compared with a general margin of between 14s. 6d. and 16s. 3d. per cent on each of these shares before the increase in the National Provincial's dividend last January. This may be an intelligent anticipation of dividend increases to come; but, if so, the prospect may only be for one more fling before another twenty years of refrigeration.

The Barclays Scheme

THE effective increase in Barclays' dividend is being brought about by a capital reorganisation that is designed to kill two more birds with the same stone. It is designed to simplify the capital structure, and also to put more of the bank's total capital resources in the shop window—thereby raising the ratio of paid-up capital to deposit liabilities, a ratio that in all the banks has been much reduced by the inflation of the past fifteen years. Except for £667,050 of "C" stock held by the staff, Barclays' paid-up capital (unlike the other Big Five banks, all fully paid) comprises £11,761,811 of "B" stock and £3,340,356 of "A" stock, both ranking *pari passu* up to a 10 per cent dividend but with the dividend on the "A" stock restricted to that amount. The board now proposes to merge the two stocks, and asks stockholders to approve a removal of the dividend limitation now suffered by the "A" stock. To equate the 14 per cent now paid on the "B" to the 10 per cent that is obviously intended to become the new basic payment on the merged stock would require a splitting of

five "B" units into seven merged units; but the board proposes to split into eight units, thereby achieving the effective increase in the "B" dividend to 16 per cent, and regards this as "compensation" to the "B" stockholders for agreeing (if they do agree) to share their equity with the "A" stockholders.

This is an unexpected proposal to come from one of the big banks, which are always scrupulously fair in all their dealings—and, at first glance, this proposal looks less than fair. It is not clear why it was necessary, for Barclays is not the only bank with limited-dividend capital. Apart from their desire to simplify the capital, the directors seem to have been influenced by a historical consideration—that the "A" and "B" stocks both stemmed from a splitting of a single stock in 1913. That is scarcely a relevant consideration; but if it has the effect of persuading them that they ought not to increase the dividend on the "B" stock unless they give "A" stockholders the right to share in any further increase, the "B" stockholders may be persuaded that these proposals are acceptable in practice, however dubious in principle. Most stockholders, indeed, are likely to be content to let the future take care of itself—and be thankful for the present increase that many of them probably did not expect.

Time Limit for the Film Levy

IF the film industry cannot produce an agreed scheme for a voluntary levy by Saturday, the Board of Trade will "seek statutory powers" to impose a levy upon the industry. This ultimatum was given to the industry on October 6th. Since then three out of the four major associations in the industry had agreed to a scheme that would have given the film producers £2.3 million from box-office receipts—not too painfully short of the £3 million for which they originally asked. When agreement seemed within reach, the council of the fourth body, the Cinematograph Exhibitors' Association, refused to ratify the plan. The exhibitors are not convinced that a voluntary levy on the present lines is the best way of assisting British film production. Unless the Chancellor of the Exchequer, who already contributes a proportion of entertainment tax receipts to the fund for aiding the producers, will underwrite the proposals, the exhibitors believe that the industry will simply commit itself to raising an amount of money without knowing where it is to come from.

The level of cinema attendance during the second quarter of the year, lends some support to their view that future income may be uncertain. Attendances, at 323.5 million, were 1.5 per cent lower than in the first quarter, and gross box-office takings, at £27.4 million, were down by the same proportion. But exhibitors can hardly hope that the Chancellor will make any promises at this stage about future levels of entertainment tax, which mops up nearly 34 per cent of gross takings, a proportion that all sections of the industry—unanimous at least in this—consider to be much too high. In an attempt to get a last-minute agreement, the exhibitors' association have recirculated the draft proposals for final decision by their 24 branches. It seems that they may reverse the Council's rejection of the scheme, which was somewhat absent-mindedly voted by a majority of three.

Footings the Gas Bill

ONCE again the nationalised gas industry has fulfilled its statutory obligation to "break even" taking one year with another—although only in terms of conventional accounting practice. In the year to March 31st last, eleven of the twelve Area Gas Boards (Scotland alone was in the red) contributed something to the industry's combined surplus of £2,272,631, which compared with £1,440,916 in 1951-52. This surplus appears in the accounts after a contribution of £500,000 to the Central Guarantee Fund (which now totals £1,620,603); and after providing £2,538,000 for taxation, £12,097,246 for interest charges and £14,430,628 for depreciation. Depreciation provisions, however, are calculated only on the basis of historical costs; if the pre-vesting assets were depreciated on the basis of present-day replacement costs, the conventional surplus of just over £2 million would be turned into a deficit of between £16 million and £18 million. To cover this deficit, the price of gas would have to be raised by the politically horrific amount of 2d. a therm.

The industry at the moment is increasing prices only when costs rise too. Even so it seems to be meeting consumer resistance. In the last financial year the volume of gas sales rose by only 0.4 per cent—from 2,513 to 2,524 million therms—but, thanks to increases in selling prices, the value of sales rose from £147.6 million to £164 million. This increase was very nearly offset by a rise in costs (including depreciation) from £135.3 million to £148.1 million; and recent increases in wages and in coal and transport charges will add another £12.8 million a year to this bill.

In the face of this rise in costs, the boards are trying to fight a delaying action by closing down uneconomic plants and by searching for economies in production. But these economies depend, in turn, on the installation of new equipment; and the industry now intends to spend between £40 million and £45 million annually on capital account in the next five years. In consequence, the proceeds of the recent issue of gas stock will have been absorbed by the end of this year; thereafter the industry will have to turn again to temporary aid from the banks, and by the end of 1954 it may well have to rejoin the queue in the capital market. Inevitably, this raises the question of whether the favourable borrowing terms accorded to all these nationalised industries is not leading to an exorbitant pre-emption of the nation's scarce supply of investible funds. But one part of the investment programme, at least, can be unreservedly welcomed. The projected expenditure of £1 million in the next five years on a search for natural gas in this country—initially in south-east Yorkshire and Lincolnshire—is very small beer in the industry's total development plans; but, if natural gas was found in worthwhile quantities, it would turn out to be an investment paying a very high rate of dividend.

Timber and Monopoly

THE timber trade has provided the Monopoly Commission with its most straightforward case to date. The Commission's investigation* into the arrangements governing the trade in imported timber has led to their outright condemnation as being contrary to the public

* Report on the Supply of Imported Timber. HMSO. 4s. 6d.

interest. The Commission has recommended, without reservation, that these arrangements should be brought to an end. It finds that trade in imported timber is based on a system of "approved lists" of agents of the foreign sellers and of British importers, neither of whom will sell to or buy from traders not on the list; the Commission decides that there is no feature of the trade that justifies this closed shop.

The timber trade told the Commission that the existence of the "approved list" gave importers "sufficient confidence in their market to run the risks entailed in holding stocks and providing the (wholesaling) services which their customers expect." It has also been said that if any merchant or timber user wished to import on his own account, his lack of experience and his presumed readiness to pay a premium for special types or cuts of timber would force up prices generally. The Timber Trade Federation told the Commission that anyone who wanted to import timber was always admitted to the list provided that the existing members were satisfied about his standing and ability to maintain a certain minimum turnover, but the standard they require is known only to themselves.

The Commission did not accept these arguments. Several big timber users, especially among the furniture and packing case industries, said that they would find it cheaper to cover their substantial timber requirements by direct imports, and not through "approved list" importers as they must do at present. Several other intending importers complained that they had been refused admission to the lists. While there was no evidence of lack of competition among "approved list" importers, the Commission believed that timber prices might fall rather than rise, if the system were abolished. There seems in any case no reason why timber users and other merchants should be prevented from burning their fingers—as the trade asserts would happen—by importing direct, and no justification, in the Commission's view, for preventing a timber dealer from widening the scope of his business by doing a little importing (too little to justify his admission to the lists) on his own behalf. In short, the Commission condemned the undertaking given by traders to deal only with each other; this undertaking "should be abrogated and should not be replaced by any other arrangements or undertakings having similar effects." It is difficult to quarrel with this conclusion.

Markets Overseas

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.

This service of reports was started by the Unit last year. From the outset the demand was large and came from many parts of the world, and in response to requests from subscribers the list of countries included in the service has been extended. Fifty reports are now published every quarter on a total of seventy territories.

Descriptive leaflets and a specimen copy of the reports may be obtained from

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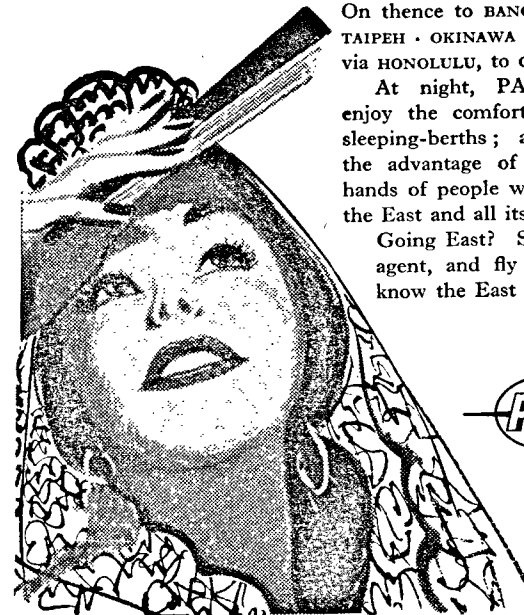
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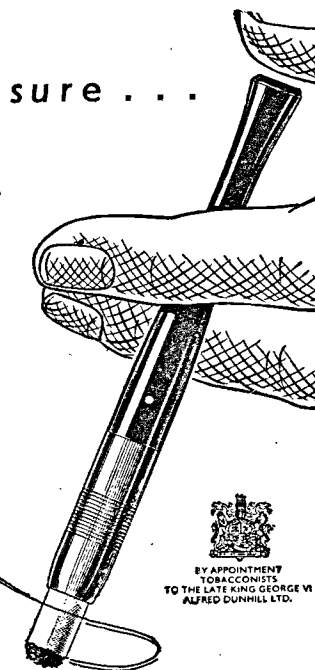
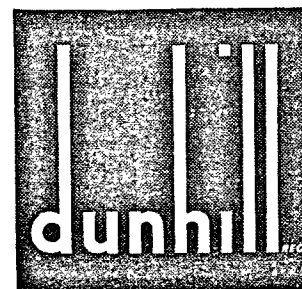
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Autumn Smiles on Coal

SINCE the build-up of stocks has been quicker than one could dare to hope three months ago, the coal winter now opens with about 19 million tons of coal in hand—not far short of last year's figure. For this relief, a mild autumn deserves a good deal of the thanks, for the losses of output due to the Coronation and the second week's holiday for the miners have not been made good; the Minister of Fuel and Power put the loss at about $5\frac{1}{2}$ million tons, of which $3\frac{1}{2}$ million tons has been made up. This is a valuable achievement, but even the two biggest producing months of the year are hardly likely to provide the extra quarter million tons a week that would be required to equal the 1952 output figures.

The verdict must be that the winter prospect is better than it might have been, but that the margin in hand is not excessive for an active and a cold winter. There is no ground for complacency on this or on many other aspects of the coal problem to which the Minister referred last Monday. Doubtless it was not his intention to suggest any ground for extravagant praise when he disclosed that the Coal Board's investment expenditure in 1954 would reach £58 million—exceeding for the first time the "planned" rate. Even if the plan were all-sufficient, there would still remain a formidable burden of arrears to be overtaken. Nor is the move towards effective decentralisation with the mining area as the proper unit of management so dramatically new as it seemed to emerge from the Minister's speech; Mr Aubrey Jones pointed out from his own backbenches that something of the sort had been heard five years ago. Perhaps the keynote of the debate was simply that there was nothing very new to report in coal—still the shortages and the imports, still the concern for development and new capital, and still the search for the secret of effective and understanding management. No one is to be reproached for the fact that matters stand very much where they did. But perhaps the sympathetic eye can perceive promises of advance; and even the sternest critic has no ground for saying that coal's intractable problems could have been solved by now.

The Government's Gilt-Edged

THE annual—but infuriatingly slight—clue to departmental holdings of gilt-edged was insinuated into circulation this week in a footnote to the National Debt Return (Cmd 8975). The return reveals that what it chooses to call Government "departments" (its definition includes only the National Debt Commissioners and a dribble of others) held £3,557 million of the national debt at the end of last March, or £171 million less than a year before. Although total internal floating debt increased by £103 million to £4,714 million in the year, the "departments" holdings of floating debt fell by £24 million to £321 million; and although the total of "other internal national debt" increased by £54 million to £19,175 million (thanks wholly to an increase of £169 million, to £13,940 million, in the

nominal value of British Government securities quoted on the London Stock Exchange), the "departments'" holdings of non-floating debt fell by £147 million to £3,236 million. This total of £3,236 million is likely to have included all the £1,311 million of Terminable Annuities in issue (against about £1,353 million a year before); but the implication is that the "departments'" holdings of marketable British Government securities may have fallen by about £100 million, to about £1,925 million, during the year.

Although the total holdings of the National Debt Commissioners have now ceased to rise substantially (thanks to the fact that the national insurance fund is heading towards a deficit), it is believed that their total portfolio is now fairly stable at around £4,500 million; this total includes some loans to local authorities by the savings banks and other entities, and also large holdings of government-guaranteed stocks (especially those issued by the nationalised industries). Almost certainly, the bulk of the "departments'" apparent sales of marketable British Government securities last year will have been accounted for by a switch into such government-guaranteed stocks; thanks to the large issues by the nationalised industries, the nominal value of government-guaranteed stock quoted on the London Stock Exchange rose by £281 million in the year to last March, and it would not be surprising if the National Debt Commissioners took up about a third of this.

The official figures exclude (excusably, from the point of view of the market analyst) the holdings of the Public Trustee, the Charity Commission and similar trustee bodies; but, less excusably, they also exclude the holdings of the Bank of England and the Exchange Equalisation Account. The Bank of England held just over £1,875 million of government securities at the beginning of last April; guesses at the sterling holdings of the EEA are bound to be hazardous, but perhaps between £100 and £300 million may be of the right order of magnitude. If so—and if the additional assumptions can be made that official holdings of tender Treasury bills were small but that all holdings of tap Treasury bills and of Ways and Means advances came within the portfolios of the Bank, the EEA or the "departments" (as officially defined)—then a very rough estimate can be made of the total of marketable gilt-edged in the government's *masse de manœuvre*; the estimate comes out at around £3,000 million, or about 18 per cent of the £16,800 million nominal of marketable gilt-edged (both government and government-guaranteed stocks) that were quoted on the Stock Exchange at the end of last March.

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The Publisher, 22 Ryder St., St. James's, London, S.W.1

Off-Shore Orders

By June 30th last—the end of the American financial year—the American authorities had placed orders for \$2,225 million worth of military equipment in European factories under the off-shore procurement scheme. The biggest order was for \$868 million of ammunition, of which \$100 million has been placed in Britain; it is estimated that about 20 per cent. of the ammunition produced in the Royal Ordnance Factories at the present time is being financed in this way. In France, three new ammunition plants are being built to meet off-shore orders; in Portugal the ammunition factories are taking on roughly 1,000 extra men and some are beginning to make artillery ammunition for the first time since 1936. These ammunition contracts are also helping many of the less industrialised countries of Nato to build up their arms potential; orders have been placed in Greece (for \$34 million), Turkey, Portugal, Spain and Norway as well as in Britain and France.

The second biggest item is aircraft, but here the orders have had to be concentrated in the few countries with established aircraft industries. The lion's share of the total aircraft orders of \$442 million is divided as follows: \$153 million to British factories for Hunters and Sea Hawks, \$86.5 million to France for Mystère IVs, \$45 million to Holland for Hunters and spare parts for Curtiss Wright engines, and \$42 million to Italy for Sabres to be assembled by Fiat and for spares for other American aircraft. Contracts for ships amount to \$254 million; these include mine-sweepers and patrol boats, some of which are being built in this country. France has received \$79 million of ship-building orders, and these account for one third of the tonnage under construction in French yards. Holland has contracts for mine-sweepers and submarine chasers amounting to \$28 million, and Italy is building landing craft. Other naval contracts have been placed in Portugal and in Denmark, where they have led to a revival of the Danish wood shipbuilding industry. The balance of the off-shore procurement programme is made up of \$139 million for radar and electronics (divided between Britain, France and Italy) and \$523 million for vehicles, vehicle repairs (this in Italy) and odd engineering orders. A substantial item among the vehicles is an order for \$100 million worth of Centurion tanks placed in Britain; this is said to account for half of Britain's current production of these tanks.

Distributing the Dollars

THE great majority of these off-shore orders were placed in the financial year to June 30th last, although some were placed in the financial year before that. The crop of orders for the current financial year—the size of which is still uncertain—will not really begin to be reaped in full earnest until January or February next. In any case, since the Americans do not pay for the goods until delivery, the dollars receipts from orders already placed will trickle rather than flood into European exchequers; probably they will be spread over three or four years. Some ammunition and some of the smaller items are being or have been

delivered, and so have a number of the Centurions ordered from Britain. But it will be difficult for the aircraft factories to complete their orders by the dead-line of June, 1955, originally laid down by Congress; the ingenuity of the contract drafters has been exercised to the full to overcome this problem.

The distribution of the orders between different countries (set down in the accompanying table) confirms the suspicion that the purchasing officials have been torn between the irreconcilable objectives of providing dollar support to unstable European economies and getting the

TOTAL OFF-SHORE ORDERS
(At June 30th)

	\$ '000		\$ '000
France.....	1,025,787	Norway.....	22,555
United Kingdom.....	450,109	Denmark.....	15,606
Italy.....	382,257	Turkey.....	8,494
Belgium.....	107,224	Yugoslavia.....	5,390
Netherlands.....	91,525	Germany.....	10,425
Switzerland.....	50,206	Spain.....	2,722
Greece.....	33,947	Luxembourg.....	537
Portugal.....	18,261	Total.....	2,225,045

best possible equipment at the lowest price, and there have also been complaints that the companies and governments concerned have been left unnecessarily in the dark about American intentions. But these quibbles should not obscure the facts that most of these contracts are bringing the free world more defensive power per dollar than if they had been placed in high cost American factories, that all of them are helping Europe in its dollar difficulties and that their combined contribution to the building up of Europe's arms potential is substantial.

Slump in Free Gold

THE downward drift in the free market price for gold has recently gathered momentum and has carried the quotation below \$36 per ounce, or less than \$1 an ounce above the official price; this is the lowest figure yet recorded in the postwar premium market. Many influences have contributed to the decline. Hoarding demand from the Far East has dropped sharply since the Korean armistice. The agricultural areas of France, the traditional Western "sink" for the metal, seem unable to mobilise the cash needed to maintain their purchases at the high levels of 1951 and 1952. Hopes of an increase in the official price of gold have completely evaporated for the time being, and speculators who had been holding gold in anticipation of such an increase have been losing patience and closing their bull accounts. In addition, the supplies of gold reaching the free market have been supplemented in recent months by "hammer and sickle" bars offered through most of the Continental markets. These offers of Soviet gold, accompanied by similar sales of platinum and silver, testify to the prevailing shortage of sterling in the Soviet bloc—a shortage partly explained by the new policy of feeding the Russian consumer with imported butter and other consumer goods. The sales of Soviet gold have not been substantial, but they have pro-



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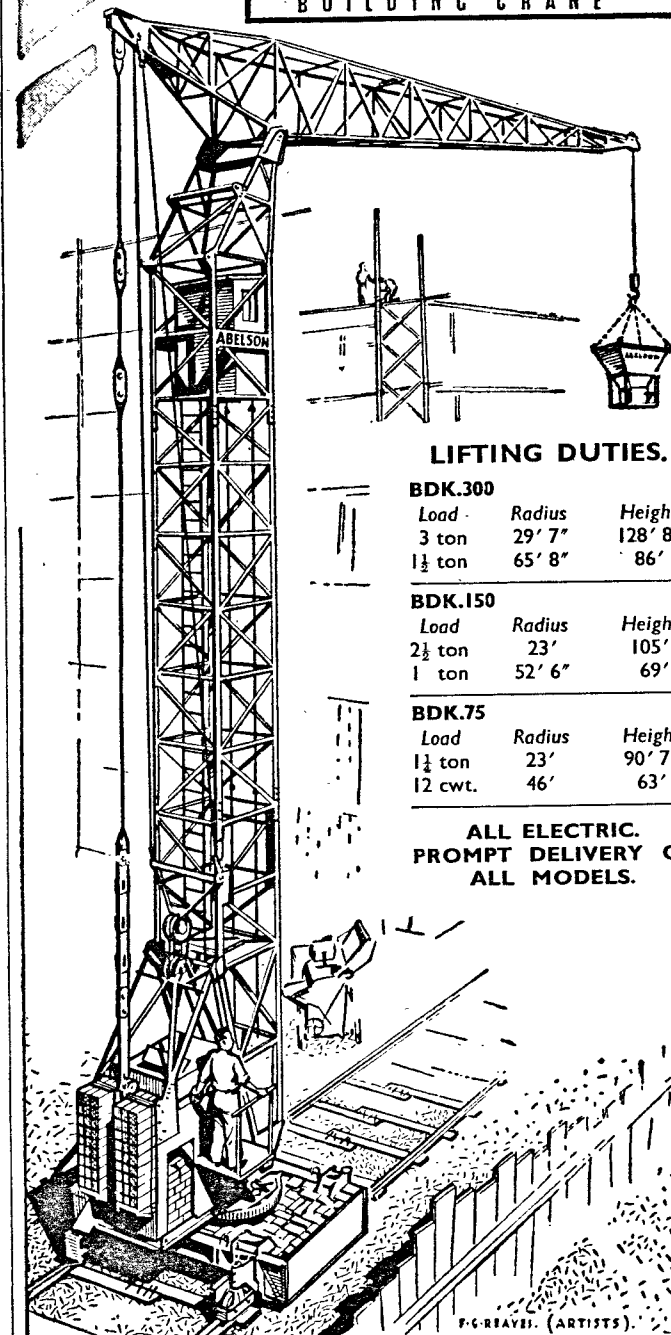
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vided the marginal factor that, in present conditions, has virtually killed the premium market.

The narrowing of this premium has caused an important adjustment in the arrangements for the sale of South Africa's newly mined gold in the free market. Until now the South African authorities have made some pretence of obeisance to the rules of the International Monetary Fund, by decreeing that South African gold sold in the premium market should be in processed form—plates, wire, strips, ornaments and so forth. The gesture deceived nobody, but some trouble—and a cost of about 35 cents per ounce—was involved in remelting the "ornaments" exported from South Africa back into the bars required by the free gold market. This cost and trouble could easily be afforded when the premium was several dollars over the official price, but it has become intolerable now that the premium has narrowed to about 85 cents. South Africa has therefore announced that from this week its sales will take the form of bars of the customary fineness. These sales must still be made against payment in US dollars; and, for the time being, they will still be restricted to 40 per cent of the newly mined gold produced in the Union. This development, which may of course drive the free market price still lower, weakens one of the few remaining arguments for preventing free dealings in premium gold in the London bullion market. There would be some irony about granting freedom now that freedom is no longer profitable. But irony is preferable to hypocrisy; and, unfortunately, hypocrisy and the IMF's strictures on free markets have become inextricably mixed.

Cars and Dealers

At the beginning of the year, the British Motor Trade Association invited car dealers to say whether they were in favour of bringing back the prewar control of trade-in allowances for used cars. Dealers are heartily sick of controls, having only recently got rid of covenant and declaration forms, and the proposal did not get much support. But it appears to have been shelved rather than abandoned. When this week the president of the Motor Agents' Association (the official retailers' body) said that the trade was against any form of control on used car allowances he was careful to add the qualifying words "at present."

It would be rash to assume that the motor trade has finally set its face against all forms of control. Its present mood must owe something to the fact that the spectre of falling secondhand prices which was looming large at the beginning of the year, has receded. During the summer new cars did not come to the home market as rapidly as was expected, and in consequence good used cars became scarce and their prices hardened. A chart published on page 307 of *The Economist* last week showed that a year-old car that cost less than £800 when new (including tax) would fetch something close to its original list price on the second-hand market. But this state of affairs cannot continue for ever. Secondhand prices now face their normal winter decline and are not likely to revive again until the spring. How low they fall depends on the supply of new cars. One or two individual models among the "popular" cars still

have impressive waiting lists, but some of the cheaper cars can be delivered within a reasonably short period.

The justification for control over trade-in allowances before the war was that a dealer, anxious to sell a new car for which he had already paid, was sometimes obliged to offer an uneconomically high trade-in allowance on the buyer's old car. Some dealers undoubtedly put themselves out of business in this way, but there is little parallel between trading conditions in the car market in the thirties and today. A dealer who offered a higher allowance than the figure laid down in a confidential publication known as the National Used Car Price Book was threatened, if discovered, with a fine, and in the last resort with stop-listing that would cut him off from any future supply of new cars. It is not surprising that dealers have not so far shown any enthusiasm for reviving the system which was in any case as much a device to prevent undercutting from firms with low overheads as a move to prevent uneconomic competition. In view of present public attitudes towards restrictive practices of this kind, the motor trade may yet hesitate before it reconsiders price control again next spring, after rejecting it as recently as last summer.

Storm Round the Weather Ships

THE American Government's sudden decision to shut down the five weather stations that it maintains in the western and mid-Atlantic could have serious consequences for trans-Atlantic air traffic. For the past seven years, ten weather stations have been maintained in the Atlantic under an agreement drawn up by the International Civil Aviation Organisation (a United Nations body) in 1946; five of them are the responsibility of the United States, and of the balance two are maintained by Britain, two by Norway, and one by France and Holland jointly. The stations are operated by weather ships, using radio sonde methods to take readings of weather conditions in the upper atmosphere at heights of 100,000 ft. Ships and aircraft crossing the Atlantic also report on the weather conditions that they meet, but the weather ships have been the only source of information about high-altitude conditions where weather is born. If the five American stations now taking such readings are withdrawn, the upper air across half the Atlantic will become uncharted territory.

It is said that the decision has been taken on grounds of economy, and indeed the American side of the service has been more expensive than the rest. The five American stations require fourteen ships in commission at a cost of \$1 million each a year. The other countries maintain two ships per station, and the four maintained by Britain cost together £250,000 a year. The American administration has told ICAO that "the benefits derived by the United States are no longer commensurate with the cost" of keeping the ships. They are, admittedly, of little value to the internal weather bureaux in the United States, whereas forecasters of European weather derive certain benefits from them. But all trans-Atlantic airlines need the information that the weather ships provide, and jet airline services need it most of all. BOAC's projected North Atlantic Comet service would be hard hit if there were no high-altitude reporting across half the route.

When weather services were discussed by ICAO this

summer, the American delegates apparently had no inkling of what was in their Government's mind. It is difficult to believe that the only course open to the Administration is to withdraw completely from a vital international service and at such short notice. The closing down of the American stations is expected to start immediately and to be completed by the end of the American financial year in June, when the international agreement on the service itself also expires. American airlines would then be able to use what remains of the weather service—that is, full coverage of the Eastern Atlantic and what partial coverage can be improvised further west—while their government contributed nothing towards its upkeep.

Standstill for Export Subsidies?

EUROPEAN export subsidies have become unpopular with European exporters themselves. The Federation of British Industries and its sister organisations in twelve other west European countries (working through their joint organisation, the Council of European Industrial Federations) have unanimously advocated that their governments should impose a standstill on any further increase in "artificial incentives to exporters"; and they have suggested that during this period of truce OEEC officials should attempt a definition (and, if possible, a dismantlement) of practices that are considered to be objectionable by all members.

The known views of leading European industrialists and of the OEEC have obviously played some part in the liberalisations that have taken place on this front this year—in particular, the long-awaited abolition by Holland of its dollar retention scheme in the middle of this month. But the OEEC will not have an easy task. France, whose exchange retention scheme and substantial tax-rebates for exporters make it easily the worst European offender, claims that its large balance of payments deficit and its close links under the Schuman plan with low-taxation countries such as Germany give it a special position. The French also maintain that rigid limitation of any agreement to direct governmental incentive schemes would leave intact the most irritating of its competitors' practices—notably the German Government's alleged subsidisation of long-term export credits and Britain's much attacked (and now virtually vanished) dual pricing of coal and steel for home and export markets. If Europe is to whittle down export subsidies, it will first have to define what they are.

The New Gallery

THE gallery in the London Stock Exchange will be opened to the public on Monday, November 16th. Those members of the House who feared that the public will come to stare—and go away to criticise—only when excitement runs high in the market, and when malicious talk about "speculative excesses" is in the air, were finally defeated in the referendum a few months ago; and the Council is now able to take this useful initial step towards selling the idea of investment to the public at large. The "waiters" who will be stationed in the new gallery are much more likely to be plagued with curious than with critical questions. Who is in

that group under the dome? Where is the "jungle"? What is a "blue button"? Only rarely, one suspects, will the question be: what is the purpose of all this? But when that question comes, the Stock Exchange should have its answer ready. The answer should never be that the market has a right to exist because it brings some benefit to widows and orphans; it should always be that the market has got to exist if Britain's scarce supply of investible funds is to be directed towards those industries that can make most productive use of them. The Stock Exchange is a necessary, not a charitable institution; and it is as such that it needs to be explained to the public.

Coffee and the Cruzeiro

THE Brazilian coffee market has taken in its stride the devaluation of the cruzeiro earlier this month. Such is the demand for Brazilian coffee that "export" prices, in terms of foreign exchange, have almost regained their levels prior to devaluation. In effect, therefore, growers have been able to pass on to foreign consumers nearly all of the increase in domestic prices. To compensate growers for the damage to plantations during the recent frosts, and perhaps also for strictly political reasons, the government's new regulations raised the exchange rate for exports of coffee from 18.36 to 23.36 cruzeiros to the dollar. The immediate result was a sharp rise in the cruzeiro price of coffee, and a somewhat smaller fall in the export price, extra prime falling by some 27s. to about 451s. a cwt f.o.b. Santos.

European buyers at once came into the market for large quantities, American buyers followed a few days later, and prices soon recovered to about 476s. a cwt for extra prime. The buying spree has now died away, but the tone of the market appears to be fairly firm. It is in fact difficult to foresee any radical weakness developing in view of the tightness of supplies. The latest estimates of the 1954-55 crop in Brazil vary considerably, but it will probably be much the same as the previous crop, at about 16.5 million bags (of 132 lb). The effect of the frost damage on the flowering of the trees has been rather less than was feared, but the probable crop is far below the 20 million bags or more that were originally in prospect for 1954-55.

New Ideas in Tankers

THE recently launched 18,000-tons deadweight oil tanker *Helix* being built for the Anglo-Saxon Petroleum Company, is the first of the new class of 51 "general purpose" tankers being built for the Shell group in shipyards in three different countries. The design is of particular interest, for the ship is being used as a floating testbed for a number of new ideas in tanker design developed in Anglo-Saxon's research and development section. They include the slightly bizarre idea of a lift running down the ship's side that is intended to replace the normal gangway as a means of getting ashore. Tankers rise and fall considerably as their cargoes are loaded and discharged, and this movement, coupled with the tide, may make it impossible to keep a gangway at a reasonable angle and can involve accidents to crew for which compensation can be expensive. The lift is expected to cure these troubles, as well as to prevent the

entry of rats. If it proves successful it will be fitted to the other ships of the class.

Other new ideas under trial in the *Helix* include several intended to reduce the risk of explosion. Special equipment allows soundings to be taken in the cargo tanks without opening them up, and the whole of the accommodation for the ship's company can be kept slightly above atmospheric pressure, so preventing the entry of gases that might be inflammable. One result of these measures is that the crew are able to smoke with a freedom hitherto unknown in tanker operation, and this and other amenities (among them the provision of a swimming pool) may well have their effect in encouraging good crews to remain. The satisfactory manning of tankers is not always easy for they spend the absolute minimum of time in port, and the outward end of voyages will often be in the Persian Gulf, where amenities are few. Shell now operates a fleet of 6½ million tons deadweight, a fifth of the world's tanker tonnage. Apart from the high proportion on charter, the group owns 2½ million tons and has a further 1½ million tons under construction. A new company, Shell Tankers Ltd., wholly owned by Anglo-Saxon, has now been formed to operate this growing fleet.

Copper Dividends Shackled

THE "Rho-Anglo" group of Rhodesian copper producers has followed the example recently set by the Rhodesian Selection Trust group in keeping a tight rein on equity payments in spite of an impressive leap in profits. For the year to June 30th last its principal operating subsidiary, Rhokana, has left its dividend unchanged, at 225 per cent of its unrealistically small nominal capital. The parent

Company Notes

DEBENHAMS. In the last year capital profit of £50,954 made from the shares in the shops and stores group, to sale of investments. Unfortunately, the company's preliminary statement is presented in such a complicated way that shareholders will have difficulty in assessing what cover is provided on this new dividend by net earnings. In the report, the consolidated net profit after all charges except taxation is shown to have risen by £275,712 to £3,426,801. The provision for British taxation is then shown as £2,133,947, compared with £1,981,304 in 1951-52; on this reckoning, the group's net profits, as usually defined, have risen by only £123,069 to £1,292,854 (covering the new dividend about twice). Yet elsewhere in the report the directors state that "the balance on the consolidated profit and loss account carried forward to next year and attributable to members of the holding company is £4,242,172," or £231,973 higher than in 1951-52. Which-ever figure is used, the cover on the dividend, for a company whose capital is very highly geared, is not so ample that it can make the yield of 6 per cent unduly

attractive. But this yield is assessed on the basis of a 50 per cent dividend, and at the current price of 33s. 3d. It ignores the (possibly exceptional) 2½ per cent capital distribution, and some speculators may be looking for capital distributions, from a revaluation of the group's many properties, still to come.

ELECTRIC AND MUSICAL INDUSTRIES. It is a very mournful HMV record that the directors of Electrical and Musical Industries have had to put on the turntable for the year to June 30th last. The group's trading profits (excluding those earned by foreign subsidiaries) have slumped from £1,542,877 to £660,039; its net income has fallen from £402,365 to £279,983; and its equity dividend has had to be cut from 12 to 8 per cent. Indeed, a detailed study of the preliminary report reveals an even gloomier picture. Trading profits are shown in the accounts before charging operating expenses; once the increase in these costs is entered into the reckoning, the group's income before tax is shown to have collapsed from £1,166,865 to £446,921. The group's final net income after tax is reported as £279,983, but this includes a credit of

company, Rhodesian Anglo American, which has a controlling interest in Rhokana as well as substantial investments in Mufulira and Nchanga, has also left its dividend rate unchanged, at 62½ per cent. This payment, which takes £3,996,875 from profits, does however put a little more into the pockets of shareholders than a year ago, for the interim and final dividends are declared on a slightly larger capital than was in issue in 1951-52.

Rhokana's dividend has been left unchanged in spite of the fact that its gross income has increased from £11,476,457 to £12,610,811 and its net income from £7,860,922 to £8,391,027; the dividend will take £5,625,004 of this. The gross profits accruing to Rhodesian Anglo American rose even more spectacularly, from £19,490,411 to £25,265,928, although the net income attributable to it advanced only from £6,176,235 to £6,715,417. Clearly, in making their decisions, the directors of the copper companies had to be curbed by anxieties about future prices and profits. But some investors had hoped that a curb would not be synonymous with a shackle.

SHORTER NOTES

The British Productivity Council is to set up a National Industrial Fuel Efficiency Service which will gradually take over the work on fuel efficiency that is now being done by the Ministry of Fuel and Power. It will be financed by the three nationalised fuel industries together with any voluntary contributions from other industries and revenue from fees.

★

The Bank of Belgium has reduced its Bank rate from 3 to 2½ per cent. This is the fourth reduction in the Belgian Bank rate since July, 1952, when the rate stood at 3½ per cent.

★

£220,000 written back from reserves; effectively, therefore, the latest dividend, which absorbs £166,045, seems to have been paid from this exceptional credit. Moreover, since the net profits earned by foreign subsidiaries fell from £450,805 to £359,002, and since the dividends that they paid to the parent company fell from £139,814 to £93,758, the group has fared

	Years to June 30, 1952	1953
Consolidated earnings:—		
Trading profit.....	1,542,877	660,039
Non-recurring credits.....	83,500	154,000
Credits from reserves.....	—	220,000
Dividends from foreign subsidiaries.....	139,814	93,758
Sundry credits.....	568	2,822
Total income.....	1,766,759	1,130,619
Operating expenses.....	599,894	683,698
Profit, before tax.....	1,166,865	446,921
Taxation.....	764,500	166,938
Group's net profit.....	402,365	279,983
Retained by subsidiaries.....	110,038	37,185
Parent co's net profit.....	292,327	242,798
Ordinary dividend.....	237,745	166,045
Ordinary dividend (per cent).....	12	8

10s. ordinary stock at 13s. 3d. yields 6 3/8 per cent.

* Earnings of the parent company and subsidiaries in England and the Commonwealth.

almost as badly abroad as it has in this country and in the Commonwealth.

These results, to say the least, suggest a certain lack of dynamism by the management in meeting the growing competition of the company's rivals in almost every branch of the electronic industry. Definitive judgment, however, should be deferred until publication of the full report. In the meanwhile, shareholders will note ruefully that "Emmies" 10s. ordinary shares have come down from this year's "high" of 15s. 3d. to 13s., to yield 6 3/8 per cent on the new dividend of 8 per cent, while the 5s. ordinary shares of Decca Record (EMI's most obvious rival) have risen from this year's "low" of 17s. 6d. to 33s. 3d. to offer the forward looking yield of 4 9/8 per cent.

HAWTHORN LESLIE. In deciding to raise the ordinary dividend from

15 to 18 per cent the directors of Hawthorn Leslie have presumably been cheered by the knowledge that the company's order book is still bulging, and comforted by the thought that the company's long-standing association with the Navy may protect it from the threat of idle capacity that may confront so many shipbuilding yards once orders now on hand have been completed. For, on the face of it, the company's report for the year to June 30th last does not convey the impression of buoyant net profits and greater liquidity that usually accompanies such an increase in equity payments. It is true that gross profits have jumped from £783,543 to £1,005,534; but because of a much heavier charge for taxation—due in part to a bigger provision for EPL—its net profits have risen by only £3,359, to £275,866. Moreover, with so many orders on hand, the inevitable increase in investment in stocks and work in progress (from

	Years to June 30, 1952	1953
Earnings:—		
Trading profit.....	783,543	1,005,534
Total income.....	829,690	1,063,036
Depreciation.....	85,648	97,180
Taxation.....	442,397	617,649
Net profit.....	275,866	275,866
Ordinary dividends (per cent).....	15	18
General reserve.....	180,000	180,000
Added to carry forward.....	16,329	2,535
Balance sheet:—		
Fixed assets, less depreciation.....	850,635	909,435
Net current assets.....	2,389,269	2,638,805
Stocks.....	796,558	1,246,725
Quoted investments.....	2,076,107	2,427,192
Cash.....	803,645	232,228
Reserves.....	2,174,614	2,477,149
Ordinary capital.....	895,687	895,687

10s. ordinary stock at 22s. 6d. yields 8 per cent.

£796,558 to £1,246,725) has led to a marked decline in liquid balances. There are occasions when an explanation why a dividend has been increased can be just as important to shareholders as an explanation why a dividend has been reduced. Despite the ample cover for the new dividend, this welcome surprise seems to be one of them.

LONDON STOCK EXCHANGE

Next Account begins: November 11th.
Next Contango Day: November 11th.
Next Settlement Day: November 3rd.

THE unsettled condition of the markets at the end of last week gave place to a firmer tone on Monday when it became known that the strike of petrol delivery workers was petering out. Dealings in gilt-edged were restricted by the fact that the lists for the United Steel issue (for which a wide range of gilt-edged can be tendered) will remain open until November 9th; but the undertone was quietly firm—and remained so throughout the week.

The *Financial Times* index of industrial ordinary shares, which had dropped on Friday from 128.0 to 127.2, had picked up $\frac{1}{2}$ a point to 127.7 by Monday's close. British American Tobaccos jumped 2s. on hopes of a dividend increase, but newspapers declined on profit-taking and there were also declines in store shares. Further rises occurred in bank shares following the capital reorganisation scheme announced by Barclays last week, and there was also a general marking up of discount companies' shares. On Tuesday, the last day of the old account, there was some further clearing up of speculative positions in store shares, but the *Financial Times* index remained unchanged at 127.7. Dealings were still quiet when the new account opened on Wednesday (bargains marked amounted to only 9,001 compared with Tuesday's 9,342), but buying orders predominated. Led by such "blue chips" as Dunlops, Unilevers and Turner and Newall, prices went generally higher, particularly in tobaccos, textiles and engineering shares; and the industrial share index rose from 127.7 back to 128.1, the same level as on the previous Wednesday. At Thursday's opening the undertone still seemed to be firm.

In other sections of the market oils went ahead at the start of the new account, and Kaffirs recovered after drooping on Monday and Tuesday. Rhodesian coppers were easier on Thursday following the announcement of the Rhokana and Rhokana dividends. Teas were in fair demand during the week; but rubbers were lower where changed, following the cut in the dividend of United Sua Betong.

FINANCIAL TIMES INDICES

	Security Indices		Yields	
1953	Ord.*	Fixed Int.†	2½% Cons.	Ord.
Oct. 21 ...	128.1	111.30	3.93	5.56
" 22 ...	128.0	111.35	3.92	5.57
" 23 ...	127.2	111.35	3.92	5.54
" 26 ...	127.7	111.36	3.92	5.52
" 27 ...	127.7	111.35	3.93	5.51
" 28 ...	128.1	111.34	3.93	5.50
			Total bargains	
1953, High	128.5	111.43	Oct. 21	8.563
	(Oct. 2)	(Sept. 21)	" 22	8.414
" Low.	113.9	105.68	" 23	8.502
	(May 20)	(Jan. 5)	" 26	10.544
1952, High	121.5	106.66	" 27	9.342
	(Jan. 1)	(Jan. 9)	" 28	9.001
" Low.	103.1	100.67		
	(June 24)	(July 3)		

* July 1, 1935=100. † 1928=100.

LONDON ACTIVE SECURITIES

Prices, 1953 Jan. 1 to Oct. 28		BRITISH FUNDS AND GUARANTEED STOCKS	Price, Oct. 21, 1953	Price, Oct. 28, 1953	Net Yield, Oct. 28, 1953 %	Gross Yield, Oct. 28, 1953	Prices, 1953 Jan. 1 to Oct. 28		Last Two Dividends (a) (b) (c)			ORDINARY STOCKS	Price, Oct. 21, 1953	Price, Oct. 28, 1953	Yield, Oct. 28, 1953	
High	Low						High	Low	%	%						
ENGINEERING																
100 1/2	99 1/2	War Bonds 2 1/2% '52-54...	100 1/2	100 1/2	0 7 7	2 4 10	47/6	32/3	10 c	12 1/2	4 a	B.S.A. £1.....	46/6	47/6	5 5 3	
100 1/2	98 1/2	Exchequer 2 1/2% 1955.....	100 1/2	100 1/2	1 1 4	2 4 10	14/3	10/10 1/2	15 c	5 a	5 a	Cammell Laird 5/-.....	12/9	12/9	7 5 11 1/2	
101 1/2	99 1/2	Exchequer 3 1/2% 1960.....	101 1/2	101 1/2	1 7 8	2 15 2	55/4 1/2	45/3	5 a	10 b	2 a	Guest Keen N'fold £1.....	50/-	52/6	5 14 3	
99 1/2	99 1/2	Exchequer 3 1/2% '62-63.....	99 1/2	99 1/2	1 13 5	3 0 8 1/2	51/4 1/2	44/6	12 1/2 b	12 1/2 b	10 a	Vickers £1.....	49/9	49/3	6 1 10	
100 1/2	99 1/2	Serial Funding 1 1/2% 1953.....	99 19/10	99 19/10	1 19 1	1 19 11	32/10 1/2	21/4 1/2	7 b	4 a	4 a	Bradford Dyers £1.....	32/-	32/-	6 17 6	
99 1/2	98 1/2	Serial Funding 1 1/2% 1954.....	99 1/2	99 1/2	1 4 9	1 19 11	28/9	21/4 1/2	11 c	11 c	12 b	Brit. Celanese 10/-.....	27/6	26/6	6 0 9 1/2	
101 1/2	100 1/2	Serial Funding 3 1/2% 1955.....	101 1/2	101 1/2	0 19 11	2 6 3	48/6	41/4 1/2	5 a	5 a	7 b	Coats (J. & P.) £1.....	45/6	48/6	5 3 1	
100 1/2	98 1/2	War Bonds 2 1/2% '54-56.....	100 1/2	100 1/2	1 3 0	2 7 1 1/2	49/3	37/3	6 1/2 b	5 a	5 a	Courtaulds £1.....	48/6	46/-*	4 17 10 1/2	
100 1/2	99 1/2	Funding 2 1/2% '52-57.....	100 1/2	100 1/2	1 4 1	2 11 4 1/2	50/6	36/6	10 b	10 b	5 a	Lancs. Cotton £1.....	50/-	49/9	6 0 8 1/2	
101 1/2	99 1/2	Nat. Def. 3 1/2% '54-58.....	101 1/2	101 1/2	1 6 2	2 14 8 1/2	66/3	49/-	4 a	16 b	16 b	Patons & Baldwins £1.....	64/6	64/6	6 4 0	
102 1/2	99 1/2	War Loan 3 1/2% '55-59.....	101 1/2	101 1/2	1 7 4	2 14 3 1/2										
97 1/2	91 1/2	Savings Bonds 3 1/2% '55-65.....	97 1/2	97 1/2	1 18 11	3 6 11 1/2	43/9	36/6	7 1/2 a	12 1/2 b	12 1/2 b	Assoc. Elect. £1.....	41/10 1/2	42/6	4 14 1 m	
98 1/2	93 1/2	Funding 2 1/2% '56-61.....	97 1/2	97 1/2	1 14 8	2 17 7 1/2	40/5 1/2	33/3	2 a	8 b	8 b	Brit. Insulated £1.....	40/-	40/-	5 0 0	
92 1/2	86 1/2	Funding 3 1/2% '59-69.....	92	92	2 5 5	3 13 11 1/2	60/6	51/-	10 b	5 a	5 a	English Elect. £1.....	56/10 1/2	57/6	5 4 9	
94 1/2	87 1/2	Funding 3 1/2% '66-68.....	94	94 1/2	2 3 0	3 11 7 1/2	46/-	36/6	3 1/2 a	7 1/2 b	7 1/2 b	General Elect. £1.....	38/9	38/9	5 16 2	
102 1/2	98 1/2	Funding 4 1/2% '60-90.....	100 1/2	100 1/2	2 2 7	3 18 5 1/2										
91 1/2	85 1/2	Savings Bonds 3 1/2% '66-70.....	91 1/2	89 1/2	2 5 11	3 14 10 1/2	19/6	15/6	6 1/2 b	3 1/2 a	3 1/2 a	Bristol Aero 10/-.....	18/3*	18/3	5 8 10	
91 1/2	84 1/2	Savings Bonds 2 1/2% '64-67.....	89 1/2	89 1/2	2 5 9	3 9 9 1/2	7/7 1/2	5/8 1/2	17 1/2 a	4 a	4 a	British Motor 5/-.....	6/10 1/2	7/3	7 3 5 m	
103 1/2	100 1/2	Victory 4 1/2% '20-76.....	101 1/2	101 1/2	2 1 1	3 17 4 1/2	35/10 1/2	23/6	7 1/2 c	7 1/2 c	7 1/2 c	De Havilland £1.....	28/-	28/-	5 7 2	
89 1/2	82 1/2	Savings Bonds 3 1/2% '65-75.....	88 1/2	88 1/2	2 6 7	3 16 0 1/2	36/-	25/1 1/2	15 c	15 c	15 c	Ford Motor £1.....	34/9	34/9	4 6 4 v	
95 1/2	86 1/2	Consols 4 1/2% aft. Feb. '57.....	93 1/2	93 1/2	2 7 2	4 6 2 1/2	46/4 1/2	36/6	5 1/2 b	6 a	6 a	Hawker Siddeley £1.....	46/-	46/-	5 0 0	
86 1/2	77 1/2	Conv. 3 1/2% aft. April '61.....	84 1/2	84 1/2	2 5 5	4 2 8 1/2	96/3	78/6	25 c	25 c	25 c	Leyland Motors £1.....	87/6	87/6	5 14 4	
64 1/2	57 1/2	Treas. 2 1/2% aft. April '75.....	63 1/2	63 1/2	2 3 8	3 19 6 1/2	30/1 1/2	24/-	25 c	2 a	2 a	Raleigh Ind. £1.....	28/9	30/-	5 11 10	
75	67 1/2	Treas. 3 1/2% aft. April '66.....	74	74 1/2	2 4 7	4 1 2 1/2	68/6	58/6	10 b	5 a	5 a	Rolls Royce £1.....	67/6	67/6	4 8 11	
94 1/2	87 1/2	Treas. 3 1/2% '77-80.....	93 1/2	94 1/2	2 5 1	3 18 9 1/2	7/3	5/3 1/2	12 c	12 c	12 c	Standard Motor 5/-.....	6/6	6/-	10 0 0	
94 1/2	90 1/2	Treas. 3 1/2% '79-81.....	93 1/2	93 1/2	2 5 4	3 18 9 1/2										
84 1/2	76 1/2	Redemption 3 1/2% '86-96.....	84 1/2	84 1/2	2 4 8	3 15 2 1/2	23/3	19/-	20 c	5 a	5 a	Boots Pure Drug 5/-.....	23/-	23/-	4 6 11	
87 1/2	77 1/2	War L'n 3 1/2% aft. Dec. '52.....	85 1/2	83 1/2	2 5 10	4 3 3 1/2	38/9	16/6 1/2	12 1/2 a	37 1/2 b	37 1/2 b	Debenhams 4/-.....	34/3	33/3	6 0 3 v	
64 1/2	58 1/2	Consols 2 1/2% '54-64.....	63 1/2	63 1/2	2 3 4	3 18 11 1/2	103/-	85/7 1/2	5 a	17 1/2 b	17 1/2 b	Lyons (J.) "A" £1.....	93/9	92/6	4 17 4	
89 1/2	83 1/2	Br. Elec. 3 1/2% '68-73.....	89 1/2	89 1/2	2 7 4	3 16 6 1/2	67/-	46/3	15 a	35 b	35 b	Marks & Spen. "A" 5/-.....	63/6	65/-	3 16 11	
88 1/2	82 1/2	Br. Elec. 3 1/2% '74-77.....	88 1/2	88 1/2	2 6 6	3 15 11 1/2	60/4 1/2	44/3	55 c	20 a	20 a	Woolworth 5/-.....	58/-	59/-	4 13 3	
102 1/2	99 1/2	Br. Elec. 4 1/2% '74-79.....	102 1/2	102 1/2	2 3 11	4 1 10 1/2										
94 1/2	88 1/2	Br. Elec. 3 1/2% '76-79.....	93 1/2	93 1/2	2 5 4	3 18 2 1/2	50/1 1/2	40/11 1/2	12 1/2 b	30 a	30 a	Anglo-Iranian £1.....	7 1/2	7 1/2	4 10 4	
85 1/2	76 1/2	Br. Trans. 3 1/2% '78-88.....	84 1/2	84 1/2	2 6 11	3 17 9 1/2	43/1 1/2	29/3 1/2	4 a	12 b	12 b	Burmah Oil £1.....	56/10 1/2*	55/7 1/2	5 7 11	
89 1/2	83 1/2	Br. Trans. 3 1/2% '68-73.....	89 1/2	89 1/2	2 7 4	3 16 6 1/2	67/-	46/3	15 a	35 b	35 b	Royal Dutch 100 fl.....	432 1/2	432 1/2	4 12 5	
101 1/2	95 1/2	Br. Trans. 4 1/2% '72-77.....	100 1/2	100 1/2	2 3 10	4 0 8 1/2	31/10 1/2	23/-	11 1/2 b	5 1/2 a	5 1/2 a	Shell Reg. £1.....	89/4 1/2	90/-	6 1 3	
85 1/2	76 1/2	Br. Gas 3 1/2% '90-95.....	83 1/2	83 1/2	2 5 0	3 15 5 1/2						Trinidad L'holds 5/-.....	29/6	28/9	5 5 4	
96 1/2	91 1/2	Br. Gas 3 1/2% '69-71.....	96 1/2	96 1/2	2 4 4	3 17 0 1/2	44/1 1/2	34/6	13 1/2 b	2 1/2 a	2 1/2 a	Cunard £1.....	39/6	38/-	8 8 5	
99 1/2	93 1/2	Br. Gas 4 1/2% '69-72.....	99 1/2	99 1/2	2 4 5	4 0 9 1/2	47/9	53/9	14 b	6 a	6 a	P. & O. Def. £1.....	65/6	66/6	6 0 4	

(e) To earliest date. (f) Flat yield. (g) To latest date. (h) Net yields are calculated after allowing for tax at 9s. 0d. in £. * Ex dividend. † Assumed average life 12 years approximately.

Prices, 1952	Prices, 1953	TRUSTEE STOCKS AND FOREIGN BONDS	Price, Oct. 21, 1953	Price, Oct. 28, 1953	Yield, Oct. 28, 1953
High	Low				
88 1/2	81 1/2	Aust. 3½% '65-69...	90 1/2	90 1/2	4 s. d.
92 1/2	86 1/2	N. Zealand 3½% '62-65...	95	95	3 15 4 1/2
98 1/2	89 1/2	S. Africa 3½% '54-59...	98 1/2	98 1/2	3 15 9 1/2
68	60 1/2	L.C.C. 3½% aft. 1920...	73	73	4 2 2 1/2
91	84 1/2	Liverpool 3½% '54-64...	95	95	3 11 2 1/2
91 1/2	85 1/2	P.L.A. 3½% '66-71...	93	93	4 1 3 1/2
103 1/2	97 1/2	Agric. Mort. 5% '59-89...	102	102	4 12 3 c
68 1/2	61 1/2	Austria 4½% '34-59...	76	77	4 7 8 d
13	5	Chinese 5% 1913...	14 1/2	14 1/2	Nil
68 1/2	43 1/2	German 5%...	67 1/2	67 1/2	...
85 1/2	45	German 4½%...	93	92 1/2	...
145 1/2	103	Japan 5% 1907...	135	133 1/2	...

Prices, 1953	Last Two Dividends	ORDINARY STOCKS	Price, Oct. 21, 1953	Price, Oct. 28, 1953	Yield, Oct. 28, 1953
High	Low				
72/7 1/2	58/1 1/2	9 a Barclays "B" £1...	68/-	71/6	4 9 6
59/4 1/2	46/3	6 a Lloyds "A" £5, £1 pd.	57/6	59/-	4 1 4
79/6	64/-	8 a Midland £1, fully pd.	75/-	78/6	4 1 6
75/6	59/3	8 1/2 a N. Prov. "B" £5, £1 pd.	73/6	75/-	4 10 8
87/6	70/-	9 a Westminster £4, £1 pd.	84/-	87/-	4 2 9
89/-	67/6	7 1/2 a Alexanders £2, £1 pd.	86/-	89/-	3 18 8
54/6	41/4 1/2	5 a Nat. Disc. "B" £1...	52/6	54/-	3 14 1
49/-	39/-	5 a Union Disc. £1...	48/-	49/-	4 1 8
39/9	32/3	4 a Barc. (D.C. & O.) "A" £1	37/-	39/6	4 1 0
49/-	39/3	7 a Chart. Bk. of India £1	41/6	41/-	6 16 8 g

59/4 1/2	46/3	6 b	6 a Lloyds "A" £5, £1 pd.	57/6	59/2	4 1 4
79/6	64/-	8 b	8 a Midland £1, fully pd.	75/-	78/6	4 1 6
75/6	59/3	8 1/2 b	8 1/2 a N. Prov. "B" £5, £1 pd.	73/6	75/-	4 10 8
87/6	70/-	9 b	9 a Westminster £4, £1 pd.	84/-	87/-	4 2 9
89/-	67/6	10 b	7 1/2 a Alexanders £2, £1 pd.	86/-	89/-	3 18 8
54/6	41/4 1/2	5 b	5 a Nat. Disc. "B" £1.....	52/6	54/-	3 14 1
49/-	39/-	5 b	5 a Union Disc. £1.....	48/-	49/-	4 1 8
39/9	32/3	4 b	4 a Barc. (D.C. & O.) "A" £1	37/-	39/6	4 1 0
49/-	39/3	9 b	7 a Chart. Bk. of India £1	41/6	41/-	6 16 8g
INSURANCE						
9 1/2	7 1/2	50 a	85 b Leg. & Gen. £1, 5/ pd.	9 1/2	9 1/2	3 13 0
22 1/2	17 1/2	40 1/2 b	20 1/2 a Pearl £1, fully pd.	21	21 1/2	5 2 8
38 1/2	32 1/2	100 1/2 c	105 1/2 c Prudential "A" £1	38 1/2	38 1/2*	4 19 10
BREWeries, ETC.						
131/6	114/9	33 b	10 a Bass £1.....	125/7 1/2	125/7 1/2	6 16 11
18/3 1/2	15/9 1/2	7 1/2 a	15 b Distillers 4/-.....	17/9	17/6	5 2 10
31/9	27/-	10 b	7 a Guinness 10/-.....	31/-	30/6	5 11 6
10/-	8/-	8 b	4 a Ind Coops 5/-.....	8/9	8/6	7 1 2

* Ex dividend.											
New York Closing Prices											
		Oct. 21	Oct. 28			Oct. 21	Oct. 28			Oct. 21	Oct. 28
		\$	\$			\$	\$			\$	\$
Balt. & Ohio.		21 7/8	21 1/2	Am. Smelting.		28 7/8	28 1/2	Inter. Paper...		55 1/2	55 1/2
Can. Pac.		23 1/2	23 1/2	Am. Viscose ..		36 1/2	35 1/2	Nat. Distill. ...		18 1/2	18 1/2
N.Y. Cent.		20 1/2	20 1/2	Cel. of Amer. ..		20	20	Sears Roebuck ..		56 1/2	56 1/2
Pennsylv.		19 1/2	19 1/2	Chrysler		66 1/2	66 1/2	Shell		72	71 1/2
Amer. Tel.		156 1/2	155 1/2	Gen. Elec.		79	80 1/2	Std. Oil of N.J.		70	70 1/2
Stand. Gas.		11 1/2	11 1/2	Gen. Motor.		58	59 1/2	U.S. Steel		37	38 1/2
United Corp. ...		5	5	Goodyear		50	50 1/2	Westinghouse ..		46 1/2	47 1/2
W. Union Tel. ..		43 1/2	42 1/2	Inter. Nickel ..		39 1/2	39	Woolworth		43 1/2	43 1/2

Statistics

The following list shows the most recent date on which each statistical page appeared.

BRITISH			OVERSEAS		
Prices and Wages.....	Oct.	3rd	Western Europe :		
Production and Consumption	Oct.	10th	Production and Trade.....	Oct.	3rd
Manpower.....	Oct.	24th	British Commonwealth	Oct.	10th
External Trade.....	This week		Western Europe :		
Financial Statistics	This week		Prices and Money Supply	Oct.	24th
Industrial Profits	Oct.	17th	United States	This week	
	World Trade.....			Oct. 17th	

UK External -Trade

Imports are valued c.i.f.; exports f.o.b. Total trade unless otherwise stated.

Imports are valued £m, exports are valued £m											
	Unit	Monthly averages			1952			1953			
		1950	1951	1952	July	Aug.	Sept.	June	July	Aug.	Sept.
VALUE											
Imports :	£ million	217.4	325.3	290.1	290.3	261.7	238.3	291.6	293.0	249.3	269.4
Total	"	85.8	107.8	101.2	107.8	92.2	78.5	123.9	119.1	95.0	117.9
Food, drink and tobacco	"	82.9	142.5	116.7	108.4	100.8	96.1	108.9	112.4	97.0	94.0
Raw materials	"										
Exports of UK produce :	"	180.9	215.0	215.1	210.7	182.9	188.5	203.9	234.4	198.2	202.2
Total	"	156.9	189.4	186.1	180.0	157.4	161.2	176.9	203.3	171.5	172.7
Manufactures—total	"										
metals & engineering products	"	89.3	99.9	110.0	110.0	92.8	95.8	106.5	119.9	97.0	97.0
textiles and clothing	"	34.7	44.9	31.8	29.3	26.1	26.7	28.2	35.0	31.7	31.6
other	"	32.9	44.6	44.3	40.7	38.5	38.7	42.2	48.4	42.8	44.1
Re-exports	"	7.1	10.6	12.0	12.9	8.9	8.4	7.8	8.6	8.8	8.0
Balance of trade (exports less imports) ..	"	-29.4	-99.7	-63.0	-66.7	-71.4	-41.4	-79.9	-50.0	-42.3	-59.2
VOLUME											
Imports	1950=100	100.0	112.5	103.0	...	94.2	...	113	116	99	...
Exports	"	100.0	101.2	95.0	94	81	83	96	108	91	...
BY AREA											
Imports :	£ million	40.0	64.5	60.1	68.1	51.7	39.8	59.6	60.2	48.1	...
Dollar area—total	"	17.6	31.7	26.3	18.9	18.7	15.9	19.2	16.3	16.0	...
USA	"	15.0	21.7	26.6	40.0	26.8	20.0	34.0	34.6	24.6	...
Canada	"										
Non-sterling OEEC countries	"	54.6	84.0	71.4	74.8	59.0	62.9	68.0	67.1	58.7	...
Sterling area	"	82.6	116.5	119.8	112.8	120.0	109.0	121.9	125.3	107.4	...
Exports :	"	24.9	28.9	31.4	31.8	27.1	29.0	37.8	36.8	33.8	...
Dollar area—total	"	10.6	12.8	15.1	14.3	11.6	13.7	15.4	16.3	13.9	...
USA	"	10.7	11.7	11.0	13.5	11.3	11.2	16.4	15.1	12.1	...
Canada	"										
Non-sterling OEEC countries	"	49.2	56.0	58.3	59.1	51.0	57.9	59.1	65.2	55.6	...
Sterling area	"	87.4	110.8	107.0	99.2	85.5	83.6	95.4	116.1	96.5	...
Balance of trade (exports less imports) ..	"	-15.2	-35.6	-28.7	-36.3	-24.6	-10.8	-21.8	-23.4	-14.3	...
Dollar area	"	-5.4	-28.0	-13.1	-15.7	-8.0	-5.0	-8.9	-1.9	-3.1	...
Non-sterling OEEC countries	"	+4.8	-5.7	-12.8	-13.6	-34.5	-25.4	-26.5	-9.2	-10.9	...
Sterling area	"										
TRADE IN SELECTED COMMODITIES											
Imports :	'000 tons	272.2	337.7	325.5	510.6	372.4	221.5	499.7	467.4	334.2	330.4
Wheat	"	67.5	39.9	45.5	73.6	49.1	44.5	61.7	72.2	52.4	59.7
Meat	"	174.3	186.8	166.3	221.1	149.1	84.8	259.0	335.2	185.9	347.7
Sugar, unrefined	"										
Raw cotton (P)	"	37.4	37.5	21.8	14.2	11.3	15.1	33.3	27.5	21.5	25.3
Raw wool, sheep's and lambs' (P)	run, lb.	49.0	36.0	52.0	49.4	51.6	19.3	68.2	50.4	35.2	24.0
Rubber, natural and synthetic (P) ..	'000 tons	18.7	25.1	16.7	7.5	23.8	26.5	18.7	24.2	15.9	18.8
Softwood	'000 stds.	65.9	135.6	85.2	123.7	81.2	95.6	180.7	187.5	143.6	118.9
Woodpulp	'000 tons	119.3	139.3	119.9	78.2	52.9	86.1	127.5	143.6	143.1	137.8
Crude petroleum	mun. galls.	197	359	483	452	508	507	535	600	544	575
Exports of UK produce :	"										
Coal, including bunkers	'000 tons	1,464	961	1,254	1,498	1,316	1,368	1,244	1,405	1,099	1,417
Woven piece-goods—cotton	sq. yds.	69	72	59	60	42	50	52	67	56	59
" " wool	'000 sq. yds.	10,611	9,894	8,190	9,514	8,935	8,035	7,881	9,602	9,357	7,978
Passenger cars and chassis	number	33,177	30,717	25,819	25,492	16,935	22,716	30,077	32,301	21,239	23,722
Commercial vehicles and chassis ..	"	12,035	11,425	10,706	11,264	8,031	9,303	8,576	11,396	7,750	8,655
Agricultural tractors	"	6,997	9,388	8,745	7,425	7,085	8,818	8,202	6,995	6,877	7,936
Machinery—electrical	£'000	3,821	4,022	4,799	4,406	4,741	4,378	4,659	5,386	4,597	4,122
other	"	22,715	26,245	30,346	31,492	26,762	25,694	27,727	31,009	24,623	25,118
Chemicals	"	4,991	6,533	6,774	5,672	6,364	6,579	5,690	6,744	5,411	5,880

(1) Average for second quarter. (2) Average for third quarter. (3) Retained imports.

US Statistics

Monthly averages or calendar months except where annual rates are shown.

PRICES AND WAGES

	Wholesale prices		Consumer prices				External prices			Stock prices	Average weekly earnings in manufacturing	
	All com- modities	Farm products	All items	Food	Clothing	Housing	Import	Export	Terms of trade	Com- posite index	At current prices	At 1952 prices
	1947-49=100						1948=100			1939=100	\$.	
1939	50.1	36.5	59.4	47.1	52.5	...	42	48	88	100.0	23.86	45.62
1951	114.8	113.4	111.0	112.6	106.9	112.4	139	103	126	184.9	64.71	66.17
1952	111.6	107.0	113.5	114.6	105.8	114.6	123	102	121	195.0	67.97	67.97
1953												
April	109.4	97.3	113.7	111.5	104.6	117.0	118	102	116	193.7	71.40	71.26
May	109.8	97.8	114.0	112.1	104.7	117.1	117	102	115	194.1	71.63	71.34
June	109.5	95.4	114.5	113.7	104.6	117.4	117	100	117	187.3	71.63	70.99
July	110.9	97.9	114.7	113.8	104.4	117.8	...	...	...	190.4	71.51	70.73
August	110.6	96.3	115.0	114.1	104.3	118.0	...	...	...	190.2	71.69	70.77

PRODUCTION AND MANPOWER

	Gross national product Seasonally adjusted annual rates	Total industrial production	Manufacturing production						Building	Civilian employment		
			Durable goods			Non-durable goods			New construction; seasonally adjusted	Total labour force	Total employment	Unem- ployed as % of labour force
			Total	Iron and steel	Auto- mobiles	Total	Textiles	Chemicals				
	\$ billion		Index 1935-39=100; seasonally adjusted						\$ million	thousands	% rate	
1939	91.3	109	109	114	94	109	112	112	683	55,230	45,750	17.2
1951	329.8	220	273	259	237	194	174	299	2,575	62,884	61,005	3.0
1952	348.0	219	280	245	230	189	161	301	2,720	62,966	61,293	2.7
1953												
May	372.4	240	321	291	306	199	173	321	2,910	62,964	61,658	2.1
June			319	268	297	198	174	325	2,923	64,734	63,172	2.4
July			311	279	290	191	156	326	2,854	64,668	63,120	2.4
August	371.0	236	311	277	277	197	167	327	2,827	64,648	63,408	1.9
September			307	...	...	197	...	...	2,845	63,552	62,306	2.0

TRADE

	Personal consumption Annual rates	All business		Total retail		Imports for US consumption			Exports of US merchandise		Volume of trade	
		Sales	Stocks ^a	Sales	Stocks ^a	Total	Crude materials	Semi-manufres	Total	Finished goods	Imports	Exports
\$ billion; seasonally adjusted						\$ million				1936-38=100		
1939	67.5	10.80	20.05	3.50	5.53	190	62	41	260	139	94	113
1951	208.1	44.45	74.06	13.19	20.75	901	289	205	1,240	708	144	247
1952	218.1	45.57	74.76	13.67	20.80	895	245	214	1,252	777	151	250
1953												
April	230.4	49.99	76.47	14.28	21.66	998	224	260	1,383	1,001	175	279
May		49.41	76.84	14.47	21.54	891	219	239	1,435	1,051	158	290
June		49.25	77.51	14.41	21.57	926	228	260	1,368	1,007	164	279
July		49.61	78.31	14.47	22.09	893	216	232	1,338	990	...	...
August	233.0	48.43	78.76	14.13	22.16	...	...	...	...	...	...	...

PURCHASING POWER AND FINANCE

	Personal income			Consumer credit		Banking statistics ^a		Budget expenditure ^a		Bond yields		
	Total	Labour income	Farm income	Total	Instalment	Investments	Loans	Total	Surplus or deficit	3-month Treasury bills	Taxable Govt. bonds	Corporate Aaa bonds
	\$ billion; seasonally adjusted annual rates			\$ billion; end of period		\$ billion; end of period		\$ billion		Per cent per annum		
1939	72.6	45.7	4.5	7.22	4.50	23.4	17.2	9.0	- 3.9	0.023	...	3.01
1951	254.3	170.7	15.5	21.47	14.84	74.9	57.7	44.6	+ 3.5	1.552	2.57	2.86
1952	269.7	184.9	14.8	25.71	18.64	77.5	64.2	66.1	- 4.0	1.766	2.68	2.96
1953												
May	284.7	199.3	12.5	26.72	20.08	72.7	65.4	6.2	- 1.9	2.200	3.09	3.34
June	286.3	200.7	12.6	27.05	20.49	72.9	65.0	8.0	+ 1.8	2.231	3.09	3.40
July	287.5	202.4	11.9	27.22	20.85	77.6	65.6	6.1	- 2.8	2.101	2.95	3.28
August	287.0	201.9	11.8	27.43	21.06	77.1	66.0	6.0	- 1.5	2.088	3.00	3.25
September	...	...	...	...	...	...	...	6.1	- 0.1	1.876	2.97	3.29

(1) Second quarter. (2) End of period. (3) All commercial banks. (4) Annual figures are totals for the fiscal year ended June 30th. (5) Third quarter.

Financial Statistics

EXCHEQUER RETURNS

For the week ended October 24th there was an "above-line" surplus (after allowing for Sinking Funds) of £8,557,000 compared with a deficit of £37,332,000 in the previous week and a surplus of £254,000 in the corresponding period last year, bringing the cumulative deficit to £328,319,000 (£381,871,000 in 1952-53). Net expenditure "below-line" absorbed £7,240,000, bringing the total cumulative deficit to £596,035 (£719,351,000 in 1952-53).

£'000	Estimate, 1953-54	April 1, 1952 to Oct. 25, 1952	April 1, 1953 to Oct. 24, 1953	Week ended Oct. 25, 1952	Week ended Oct. 24, 1953
Ord. Revenue					
Income Tax.....	1782,250	523,385	499,395	13,270	12,261
Sur-tax.....	127,000	37,853	36,900	1,100	1,100
Death Duties.....	160,000	82,500	91,800	1,900	3,100
Stamps.....	52,000	27,550	30,000	500	1,000
Profits Tax & E.P.T.	214,000	222,100	114,000	8,500	3,700
Excess Profits Levy	99,500	...	38,550	...	1,400
Special Contribution and other	1,000	1,000	570	50	...
Inland Revenue.....					
Total Inland Rev.....	2,435,750	894,335	811,205	25,320	22,561
Customs.....	1044,300	591,529	605,859	21,182	22,344
Excise.....	680,480	381,103	377,993	7,285	6,940
Total Customs and Excise.....	1,724,780	972,632	983,852	28,467	29,284
Motor Duties.....	69,000	12,742	14,677	...	...
PO (net receipts).....	2,685	5,050	5,850	...	...
Broadcast Licences.....	16,000	18,805	19,440	...	43
Sundry Loans.....	95,000	68,899	79,098	3,177	1,709
Miscellaneous.....					
Total.....	4,368,215	1,972,464	1,914,122	56,964	53,597
Ord. Expenditure					
Debt Interest.....	615,000	328,595	329,558	3,848	3,513
Payments to N. Ireland Exchequer	48,000	21,999	24,571	1,669	...
Other Cons. Fund.....	10,000	5,183	5,303	313	418
Supply Services.....	3586,286	1980,065	1864,042	50,240	40,970
Total.....	4,259,286	2,335,842	2,223,475	56,070	44,900
Sinking Funds.....		18,492	18,966	640	140
"Above-line" Surplus or Deficit.....		-381,871	-328,319	+254	+8557
"Below-line" Net Expenditure.....		337,480	267,716	11,276	7,240
Total Surplus or Deficit.....		-719,351	-596,035	-11,022	+1317
Net Receipts from:					
Tax Reserve Certificates.....	82,566	159,825	1,250	1,926	
Savings Certificates.....	3,500	11,000	900	100	
Defence Bonds.....	36,282	31,699	157	483	

FLOATING DEBT

Date	Treasury Bills		Ways and Means Advances		Total Floating Debt
	Tender	Tap	Public Depts.	Bank of England	
1952					
Oct. 25.....	4,364.3	263.0	...	...	4,627.3
1953					
July 25.....	3,220.0	1,469.0	249.7	3.3	4,942.0
Aug. 1.....	3,250.0	1,424.3	227.0	2.8	4,904.0
" 8.....	3,290.0	1,389.0	208.1	...	4,887.1
" 15.....	3,310.0	1,414.8	225.4	...	4,950.2
" 22.....	3,330.0	1,422.7	241.8	...	4,994.5
" 29.....	3,350.0	1,407.6	229.3	...	4,987.0
Sept. 5.....	3,370.0	1,414.0	219.2	...	5,003.2
" 12.....	3,400.0	1,395.8	251.7	...	5,047.5
" 19.....	3,430.0	1,382.1	280.0	...	5,092.2
" 30.....	4,803.1	...	273.4	...	5,076.5
Oct. 10.....	4,525.6*	245.9	...	...	4,771.7
" 17.....	4,552.2*	262.2	...	...	4,814.3
" 24.....	4,550.4*	264.1	...	...	4,814.5

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

THE MONEY MARKET

CREDIT was adequate, or more than adequate, in Lombard Street on each of the first four days covered by Wednesday's Bank return; even on Wednesday itself the stringency was limited and official help—given indirectly through the banks—was needed by only one or two houses. Buying rates for December and January maturities were maintained at $2\frac{1}{2}$ per cent and $2\frac{1}{4}$ per cent respectively throughout the week.

Despite these easy credit conditions, there was little change in the pattern of rates at last week's Treasury bill tender. The market maintained its bid for the £240 million of bills on offer at £99 9s. 6d. per cent; but, as total applications fell by over £14 million to £353.2 million, its "quota" rose from 51 to 55 per cent. The offering at yesterday's tender remained at £240 million; it is still impossible to calculate the relationship between new bills and matching maturities because of the large official holdings acquired at the time of the recent issue of Exchequer stock.

The Bank return shows an outflow of £1.5 million of notes into active circulation. Government securities held in the banking department fell by as much as £16.2 million; but accretions to discounts and advances and "other securities" limited the reduction in the total security portfolio to just over £2 million. There was also a small net transfer to "other accounts," so that bankers' deposits fell by £4.7 million.

LONDON MONEY RATES

Bank rate (from 4% 17/9/53)	Discount rates
Bank bills: 60 days	2 1/2
3 months	2 1/2
4 months	2 1/2
6 months	2 1/2
Deposit rates (max)	1 1/2
Banks.....	1 1/2
Discount houses.....	1 1/2
Money—Day-to-day.....	1 1/2-2 1/4
Short periods.....	1 1/2-2 1/4
Treas. bills 2 months	2 1/2
3 months	2 1/2
6 months	4 1/4

LONDON CLOSING EXCHANGE RATES

	Official Rates		Market Rates: Spot						
	Oct. 28	Oct. 29	Oct. 22	Oct. 23	Oct. 24	Oct. 25	Oct. 27	Oct. 28	Oct. 28
United States \$.....	2-78-2-82	2-80-2-81	2-80-2-81	2-80-2-81	2-81-2-81	2-81-2-81	2-81-2-81	2-81-2-81	2-81-2-81
Canadian \$.....	2-76-2-76	2-75-2-75	2-75-2-75	2-75-2-75	2-75-2-75	2-75-2-75	2-75-2-75	2-75-2-75	2-75-2-75
French Fr.....	972-65-987-35	980-1-980-1	980-1-980-1	980-1-980-1	979-1-979-1	979-1-979-1	979-1-979-1	979-1-979-1	979-1-979-1
Swiss Fr.....	12-15-12-33	12-18-12-18	12-18-12-18	12-18-12-18	12-18-12-18	12-18-12-18	12-18-12-18	12-18-12-18	12-18-12-18
Belgian Fr.....	138-95-141-05	140-10-140-20	140-10-140-20	140-10-140-20	140-10-140-20	140-10-140-20	140-10-140-20	140-10-140-20	140-10-140-20
Dutch Gld.....	10-56-10-72	10-62-10-62	10-62-10-62	10-62-10-62	10-62-10-62	10-62-10-62	10-62-10-62	10-62-10-62	10-62-10-62
W. Ger. D-Mk.....	11-67-11-84	11-69-11-69	11-69-11-69	11-69-11-69	11-69-11-69	11-69-11-69	11-69-11-69	11-69-11-69	11-69-11-69
Portuguese Esc.....	79-90-81-10	79-90-80-00	79-90-80-00	79-90-80-00	79-90-80-00	79-90-80-00	79-90-80-00	79-90-80-00	79-90-80-00
Swedish Kr.....	14-37-14-59	14-43-14-43	14-43-14-43	14-43-14-43	14-43-14-43	14-43-14-43	14-43-14-43	14-43-14-43	14-43-14-43
Danish Kr.....	19-19-19-48	19-37-19-38	19-37-19-38	19-37-19-38	19-37-19-38	19-37-19-38	19-37-19-38	19-37-19-38	19-37-19-38
Norwegian Kr.....	19-85-20-15	19-98-19-98	19-98-19-98	19-98-19-98	19-98-19-98	19-98-19-98	19-98-19-98	19-98-19-98	19-98-19-98
One Month Forward Rates									
United States \$.....	1c. pm-par	1c. pm-par	1c. pm-par	1c. pm-par	1c. pm-par	1c. pm-par	1c. pm-par	1c. pm-par	1c. pm-par
Canadian \$.....	Par-1c. dis	Par-1c. dis	Par-1c. dis	Par-1c. dis	Par-1c. dis	Par-1c. dis	Par-1c. dis	Par-1c. dis	Par-1c. dis
French Fr.....	2-5 dis	2-5 dis	2-5 dis	2-5 dis	2-5 dis	2-5 dis	2-5 dis	2-5 dis	2-5 dis
Swiss Fr.....	1 1/2-1c. pm	1 1/2-1c. pm	1 1/2-1c. pm	1 1/2-1c. pm	1 1/2-1c. pm	1 1/2-1c. pm	1 1/2-1c. pm	1 1/2-1c. pm	1 1/2-1c. pm
Belgian Fr.....	1 1/2-1c. pm	1 1/2-1c. pm	1 1/2-1c. pm	1 1/2-1c. pm	1 1/2-1c. pm	1 1/2-1c. pm	1 1/2-1c. pm	1 1/2-1c. pm	1 1/2-1c. pm
Dutch Gld.....	1 1/2-1c. pm	1 1/2-1c. pm	1 1/2-1c. pm	1 1/2-1c. pm	1 1/2-1c. pm	1 1/2-1c. pm	1 1/2-1c. pm	1 1/2-1c. pm	1 1/2-1c. pm
W. Ger. D-Mk.....	1 pt. pm-par	1 pt. pm-par	1 pt. pm-par	1 pt. pm-par	1 pt. pm-par	1 pt. pm-par	1 pt. pm-par	1 pt. pm-par	1 pt. pm-par
Swedish Kr.....	10 pm-10 dis	10 pm-10 dis	10 pm-10 dis	10 pm-10 dis	10 pm-10 dis	10 pm-10 dis	10 pm-10 dis	10 pm-10 dis	10 pm-10 dis
Danish Kr.....	10 pm-10 dis	10 pm-10 dis	10 pm-10 dis	10 pm-10 dis	10 pm-10 dis	10 pm-10 dis	10 pm-10 dis	10 pm-10 dis	10 pm-10 dis
Norwegian Kr.....	20 pm-20 dis	20 pm-20 dis	20 pm-20 dis	20 pm-20 dis	20 pm-20 dis	20 pm-20 dis	20 pm-20 dis	20 pm-20 dis	20 pm-20 dis

BANK OF ENGLAND RETURNS

	1952		1953	
	Oct. 29	Oct. 21	Oct. 28	Oct. 28
Issue Department:				
Notes in circulation.....	1,444.2	1,530.8	1,532.3	1,532.3
Notes in banking dept.....	56.1	44.5	43.0	43.0
Govt. debt and securities.....	1,496.7	1,571.8	1,571.7	1,571.7
Other securities.....	0.8	0.7	0.8	0.8
Gold coin and bullion.....	2.9	2.9	2.9	2.9
Banking Department:				
Deposits:				
Public accounts.....	13.5	10.0	9.9	9.9
Treasury special account.....	22.2	17.6	17.6	17.6
Bankers.....	271.6	292.0	287.3	287.3
Others.....	66.7	68.0	68.9	68.9
Total.....	374.0	387.6	385.7	385.7
Securities:				
Government.....	299.4	334.0	317.8	317.8
Discounts and advances.....	9.3	9.6	12.8	12.8
Other.....	25.4	14.9	25.5	25.5
Total.....	334.1	358.5	356.1	356.1
Banking department reserve.....	57.7	47.0	45.5	45.5
"Proportion".....	15.4	12.1	11.8	11.8

* Government debt is £11,015,100, capital £14,553,000. Fiduciary issue reduced from £1,625 million to £1,575 million on August 26 1953.

TREASURY BILLS

Date of Tender	Amount (£ million)			Average Rate of Allotment	Allotted at Max. Rate
	Offered	Applied For	Allotted		
1952					
Oct. 24	230.0	321.3	230.0	48 4-06	62
1953					
June 19	270.0	360.1	250.0	47 4-22	66
" 26	250.0	327.4	250.0	47 3-75	66
July 5	250.0	334.1	250.0	46 8-48	75
" 10	260.0	353.4	260.0	47 3-47	63
" 17	250.0	385.7	250.0	47 3-60	48
" 24	240.0	375.6	240.0	46 11-89	55
" 31	250.0	395.5	250.0	46 11-66	48
Aug 7	260.0	369.6	260.0	47 3-50	56
" 14	270.0	347.9	270.0	47 4-37	71
" 21	270.0	358.2	270.0	47 4-25	67
" 28	280.0	370.2	280.0	46 8-25	77
Sept. 4	300.0	394.6	300.0	47 7-43	66
" 11	300.0	388.0	300.0	47 11-85	68
" 18	280.0	340.6	280.0	43 0-06	80
" 25	270.0	362.2	270.0	42 8-05	70
Oct. 2	280.0	348.2	250.0	42 8-09	63
" 9	250.0	359.5	230.0	42 7-36	49
" 16	230.0	367.7	230.0	41 11-57	51
" 23	240.0	353.2	240.0	41 11-67	55

* On Oct. 23rd tenders for 91 day bills at £99 9s. 6d. secured about 55 per cent of the sum applied for; higher tenders were allotted in full. The offering yesterday was for a maximum amount of £240 million.

THE UNITED STEEL COMPANIES LIMITED

(Incorporated in England under the Companies Act, 1929.)

Authorised

£5,097,000
£4,000,000
£14,000,000
£6,903,000

SHARE CAPITAL

in 4½ per cent. Cumulative Preference Shares of £1 each
in 5½ per cent. Redeemable Cumulative Preference Shares of £1 each
in Ordinary Shares of £1 each
in unclassified shares of £1 each

Issued and Fully Paid

£5,097,000
£4,000,000
£14,000,000
£14,000,000

£30,000,000

LOAN CAPITAL

Authorised £10,000,000 4½ per cent. Debenture Stock 1968/78 (Issued on 23rd October, 1953)

Issued £10,000,000

The Company will reserve the right to create and issue, subject to limitations, additional debenture stock ranking *par passu* in point of security with the 4½ per cent. Debenture Stock 1968/78. Save as mentioned above, neither the Company nor any of its subsidiary companies has any debentures, debenture stock, mortgages or other loan capital outstanding.

The Application List will be opened at 10 a.m. on Thursday, 29th October, 1953, and will close at 3 p.m. on Monday, 9th November, 1953.

ABRIDGED PARTICULARS OF OFFER FOR SALE

BY

THE IRON AND STEEL HOLDING AND REALISATION AGENCY

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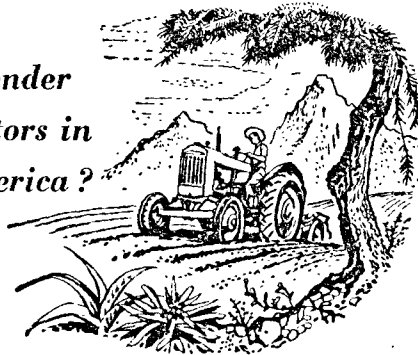


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EXPORT QUESTIONS NEED EXPERT ANSWERS

*Can we tender
for tractors in
Latin America?*



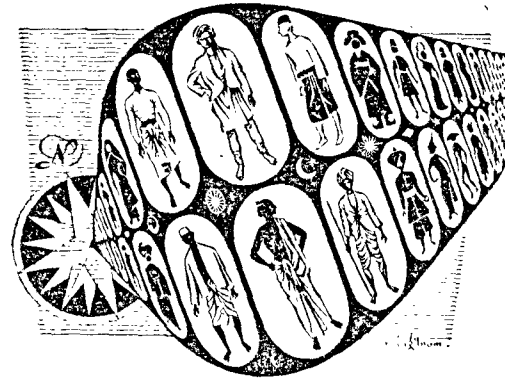
WHETHER you are exporting tractors or transformers, electrical gear or jet engines the markets of Latin America pose special questions about currency, import regulations and exchange control. As the only British Bank with branches throughout Latin America, we are particularly well equipped to answer these questions promptly and accurately, and to advise and assist you in many other ways.

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The Research Department (SECTION 34)

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The Peoples of the East

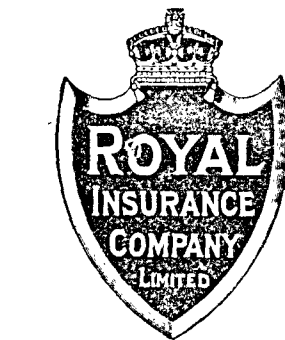
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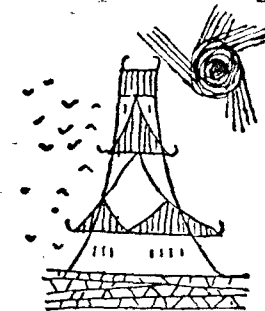
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COMPANY MEETINGS

TRINIDAD PETROLEUM DEVELOPMENT COMPANY

A SUCCESSFUL YEAR

MR KENNETH A. E. MOORE'S REVIEW

The annual general meeting of Trinidad Petroleum Development Company, Limited, was held on October 29th at the Abercorn Rooms, Bishopsgate, London, E.C.

Mr Kenneth A. E. Moore, FCA, the chairman, who presided, said:

It has been said, with considerable truth, that every balance sheet suffers from the defect that, by its very nature, it can be no more than a snapshot of the position of a business at a certain date—a "still" of a moving object, since, in reality, every business is on the move, either uphill or downhill.

Thus, a balance sheet lacks perspective unless considered against the background of the accounts of earlier years, in the light of the story behind the figures and some reasonable assessment of its prospects in the years that lie ahead.

It will be my object today to give you a fair and balanced view of our affairs by reference, among other things, to these broader considerations—a sort of 3-dimensional picture.

THE YEAR'S RESULTS

But, first of all, let us look at the results of the past year:

The production of crude oil was 3,424,409 barrels—the highest figure for twelve years. Its sale produced a profit of £716,515 after charging all outgoings except taxation. These outgoings included over £750,000 spent on oil wells and development account, which broadly represents the cost of the 44 wells drilled during the year, and over £300,000 for depreciation of plant, machinery, casing in wells, etc.

Of the profit of £716,515 taxation absorbs £425,172, leaving £291,343, of which £205,694 is absorbed by the dividends paid or proposed, and £85,649 is left in the business mainly in the form of an addition of £75,000 to general reserves.

The capital employed is £3,148,604, as shown by the balance sheet.

This has been built up as follows:

Cash subscribed by the public for ordinary stock in 1937	500,000
For preference shares in 1940 and 1949	725,600
	1,225,600
Ordinary stock held by British Controlled Oilfields since 1937	500,000
	1,725,600
Undistributed profits ploughed in over the life of the company	875,879
Reserve for future taxation and contingencies	547,125
	£3,148,604
This is represented by fixed assets—plant and buildings properties, etc., at the written-down value of	2,402,050
Plus net current assets	746,554
	£3,148,604

In the light of the satisfactory outcome of the year's working and of the reasonably sound financial position, your directors have felt able to recommend an increase in the final dividend, making the total distribution for the year up to 18½ per cent, free of tax, on the ordinary stock. The increase in dividend would not have been feasible but for the more favourable terms of the new long-term oil-sale contract entered into with UBOT as from July 1, 1952.

HISTORICAL REVIEW

And now, to give these figures perspective, let us turn back the pages of history. You may not know it, but your company owes its origin to a famous British firm of contractors who were commissioned, many years ago, to build railways in Mexico. In the course of this work they accidentally discovered the Mexican oilfields, and, no doubt, became the richer as the result of it. A few years later it was represented to them that there was oil to be found in Trinidad, so they sent a team there to prospect and explore.

The early results were encouraging, but baffling, owing to the confused and distorted geological conditions met with in Trinidad. They persevered, however, for a number of years and in 1918 founded the Trinidad Petroleum Development Company, Limited, to carry their venture a stage further.

In all they spent and lost a million pounds more or less in the unsuccessful attempt to establish production on a commercial basis. By 1924, after many disappointments, they had come to the conclusion that the game was not worth the candle and sold their shares in TPD for the proverbial song—the purchaser was British Controlled Oilfields.

Thereafter, TPD, owned and financed for the time being by BCO, continued the struggle to reach profitable commercial production, but, although a measure of success was achieved, it was not until about 1935 or later that there seemed to be real hope of turning the corner.

By that time BCO was not prepared to risk further money in Trinidad and, accordingly, a scheme was prepared under which the capital of TPD was to be reorganised and TPD, so to speak, to become an independent public company. The reorganised capital was to consist of one million ordinary shares of £1 each, of which BCO was to retain 500,000 shares and the remaining 500,000 were to be offered to the public for cash at par by public prospectus.

It was at this stage that Lord Rothes, Mr Jacks, and I were approached on the matter and were invited to join the board of the reorganised company, with myself as its chairman, the other directors to be Sir Goronwy Owen, with Mr Tweed and Mr Dalley as joint-managing directors.

To cut a long story short, the prospectus was duly issued in January, 1937, and was oversubscribed. In it production was estimated at 1,500,000 barrels and profits at £90,000. The company then had oil rights over some 24,000 acres on the mainland of Trinidad.

TURNING POINT IN COMPANY'S AFFAIRS

This was the turning point in the company's affairs and, since then, it has been conspicuously successful—the new money provided by the public, the new effort and the new management, put the company very much on its feet and, indeed, in the 16 years ended July 31, 1953, production has averaged 3,006,514 barrels per annum and profits £421,360 per annum. The comparative figures for the year just passed, you will remember, were production 3,424,409 barrels and profits £716,515, and today we hold oil rights over some 74,000 acres on the mainland of Trinidad.

In the meantime, as the developments were so considerable, extra capital was required and this was found wholly by the public in the form of 700,000 preference shares of £1 each issued at a premium.

PROGRESS IN TRINIDAD

In Trinidad, as our affairs have developed and prospered, we have built roads, workshops and power stations, houses in model villages and camps, and have provided sanitation, drainage and water, gas and electricity supplies, and many amenities, such as clubs, playing fields, etc. We have also provided a medical clinic and medical services for our employees and their families, and, in the areas in which we operate, have almost stamped out the scourge of malaria and greatly reduced the incidence of other tropical diseases.

Finally, we have provided technical and other educational facilities, giving opportunities to local boys, including scholarships to British universities.

We have provided a great deal of useful employment, have looked after our employees and their families and have enjoyed excellent relations with them and with their union. In short, we have done a thoroughly good job for the community of Trinidad and I am delighted too that, in the process, our shareholders have had a good return on the savings which they had the courage to entrust to what is, after all, a hazardous enterprise. The capital value of their investment has also greatly increased.

As oil companies go we are, of course, very small fry, and Trinidad is not a large island, but there is the advantage that, in such a case, the benefits of our enterprise are there for all to see, and I make no apology for drawing attention to them.

The larger oil companies, I need hardly say, bring similar, but correspondingly greater benefits wherever they operate successfully in the four corners of the earth, often in hitherto undeveloped territory. It is strange that their great contribution to the welfare of the local communities and to mankind in general so often passes unrecognised and unappreciated.

THE FUTURE

But, to return to our domestic affairs, and to look ahead a little, the fact that during the last sixteen years we have taken nearly 50 million barrels of oil out of the ground means that our search for oil has to go on

over wider areas and ever deeper. In the curious and mainly hitherto geological formation in Trinidad this involves persistent and intensive drilling year after year, both in proved and unproved areas, and we are fortunate in that we still have a large area—more than half the total—as yet untested by the drill. This is a laborious and expensive, but nevertheless inescapable task if production is to be maintained and further reserves are to be discovered.

You will remember that during the war we were required, in the national interest, to confine our drilling to more or less proved areas so as to get the maximum of oil for the minimum of steel and equipment. As a result, after reaching a peak production of 3,660,255 barrels in 1941, production began to tail off and since 1948, when we were able to get new and heavier equipment, we have had to devote a significant part of our efforts to making good this falling off by reaching out to new ground or going deeper. Hence the heavy expenditure in recent years on what we call exploratory and semi-exploratory drilling to distinguish it from bread-and-butter drilling. This has enabled us to increase production from a postwar low of 2,662,170 barrels to nearly 3.5 million barrels. It has brought no spectacular success, but it has increased our knowledge of potential reserves and has yielded vital geological information.

During the past year the total expenditure on drilling was £774,000, exclusive of the cost of casing. Rather more than one-third was on exploratory and semi-exploratory wells, principally in the Moruga area. As the result of information gained in the course of drilling in this area and of seismic surveys recently completed there, our geologists have high hopes that the Moruga district will provide important additions to our reserves. In the meantime we are getting modest production from certain of the wells already drilled in this area.

MARINE AREAS

You will remember that, on a previous occasion, I mentioned that the Government of Trinidad and Tobago had indicated its intention of granting marine oil mining licences to this and to certain other oil companies. The grant in our case covers some 350 square miles situated off the south and west coasts of Trinidad.

Negotiations have been proceeding for some time past with Trinidad Northern Areas, Limited, with the object of arriving at a mutually attractive scheme for the proving and development of these areas.

The partners in Trinidad Northern Areas, Limited, are the Darcy Exploration Company, Limited, the United British Oilfields of Trinidad, Limited, and Trinidad Leaseholds, Limited.

These negotiations have now reached the stage of agreement in principle and are on the basis that the initial exploratory drilling will be carried out by TNA. This entails, I need hardly say, specialised experience in marine drilling which TNA is in a position to contribute, together with the extremely expensive plant and marine equipment necessary for such operations.

In consideration TNA will receive a share in any oil produced and TPD will be relieved of the risk and heavy cost of the initial proving operations.

The broad plan has, I know, the blessing of the Government of Trinidad and Tobago and it is, I venture to think, a happy solution of a formidable problem.

It will, I need hardly say, be two or three years at least before we shall know the outcome of the initial exploratory stage.

CHAIRMAN'S VISIT

I went out to Trinidad early this year with our managing director, Commander Lavington, and inspected all phases of the companies' activities and also had conversations with the Governor and leading Government officials. I have paid a number of such visits to the field since I became your chairman 16 years ago, and on each occasion I have noted with pleasure the progress made in all directions. My reactions on this occasion were no exception.

We owe a great debt to Commander Lavington, who was general manager in Trinidad throughout the period from 1937-46, in which this company was nursed from a rather rickety childhood to robust manhood. He was the man on the spot who set the standards of integrity, work, and loyalty in the formative years in which decisive progress was achieved. When he came back to London soon after the war to become managing director, he was a difficult man to follow in Trinidad, but his successor, Mr Bennett, who took his place as general manager, has made an excellent job of it and a most notable contribution, not only to the affairs of this

company, but also as a member of the Legislative Council of the Government of Trinidad and Tobago. Our warmest thanks are due to him and to his able and enthusiastic staff and to all who work for us in Trinidad. Their achievements in the realms of geology, field engineering, and drilling and operational technique have made a significant contribution to the success achieved in recent years.

From all that I have said, you will appreciate that our affairs are in good order and that there is useful work to be done for many years to come. The results of those labours will depend, among other things, upon continued good management, reasonable success in the unending search for oil, and stable government in Trinidad. They will be affected for better or for worse by fluctuations in the price of oil and in the dollar/sterling exchange, since our oil is sold in terms of United States dollars and by reference to Gulf Coast export prices. Some of these factors are within our own control and some are on the lap of the gods.

The report and accounts were adopted.

NATIONAL CANNING COMPANY, LIMITED

A YEAR OF CHANGING CONDITIONS

INCREASE OF CAPITAL APPROVED

MR W. V. SMEDLEY ON RETURN OF COMPETITIVE TRADING

The twenty-second annual general meeting of the National Canning Company, Limited, was held on October 27th, at St. Ermin's Hotel, Caxton Street, London, S.W.1, Mr W. V. Smedley (chairman and joint managing director) presiding.

The secretary (Mr F. G. Pickett) read the notice convening the meeting, and a representative of the auditors, Messrs Price, Waterhouse and Company, read their report.

The following is the address by the chairman which had been circulated with the report and accounts for the year ended May 31, 1953: Ladies and gentlemen,—In January of this year the founder and chairman of the company, my father, Mr S. W. Smedley, retired from the board and also gave up his directorships of the various operating companies.

The growth of this organisation since the group commenced business in 1925 with one small factory is ample evidence of his immense drive, knowledge and experience. Only those who have worked in close contact with him, as I have since the firm started, can fully appreciate the great energy and singlemindedness he has brought to the task. I am glad to be able to tell you that, at the unanimous invitation of the board, he has consented to act as advisor to the group.

Upon my appointment as chairman, my brother, Mr G. P. Smedley, became joint managing director with me.

TRADING CONDITIONS

The year under review, ended May 31st last, has been one of many changes for the company. As you are aware we have been expecting conditions to become more difficult for some time past. In point of fact, my father in his last annual address said, *inter alia*, "Ever since the end of World War II in 1945 I have been looking for signs of

recession in our business, but I am bound to admit that so far, since that date, we have gone from strength to strength."

About last Christmas the long-expected recession became clearly apparent and there was a marked changeover from a sellers' to a buyers' market in certain of the lines we pack. Before the war there was usually a difficult selling period in the early months of the calendar year. We met this problem in various ways. Firstly, by a considerable increase in our sales force, secondly, by increased advertising, and, finally, by price reductions on certain lines.

THE ACCOUNTS

As a result of the change in market conditions the profit on trading, as shown in the consolidated profit and loss account, after charging depreciation, directors' remuneration, the auditors' remuneration and expenses, declined from £1,149,492 to £789,261. In my opinion, in all the circumstances this result is satisfactory. The return to a more competitive market clearly affected the outcome and will, indeed, continue to do so, but I have no doubt, however, of our ability to meet the challenge of changing conditions successfully.

Two other items in the consolidated profit and loss account call for comment. First, the figure of £75,201 in respect of adjustments of taxation on profits of prior years. This is accounted for to a substantial extent by an over-provision for excess profits levy and the reduction in the standard rate of income tax. Secondly, the transfer of £20,000 to a pensions reserve—in a large business such as ours the building up of a reserve of this nature is necessary.

In the consolidated balance sheet you will see that stocks in hand show an increase from £678,573 to £998,739, that is, £320,000. These stocks consist not only of processed

goods, but also of a number of items such as empty cans, jars, cartons, labels, etc., and are conservatively valued. Hitherto we have always made a practice of keeping processed stocks at as low a level as possible and, while at May 31st last we held decidedly more stocks of processed goods than we normally like to do, I am glad to be able to tell you that the position is righting itself and that there is no reason to believe that we shall be carrying excessive stocks of any kind at May 31, 1954.

EXPANSION OF PRODUCTION

During the past year, as mentioned in the chairman's statement at our last meeting, we added to our frozen food plants by building a factory at Spalding. This plant has operated most successfully during the current season. Since the year ended we have purchased a small fruit and vegetable merchandising business in Scotland which will be a help in our general operations there.

Since the war ended in 1945 we have expended approximately £940,000 on capital account, modernising and increasing our productive capacity, and we are constantly installing, and we shall continue to add in the near future and at an increased rate, new plant and machinery as it becomes available, in order to speed up our processes and increase our packs.

During the current canning season we have varied the nature of our pack considerably, reducing certain lines which met with consumer resistance and increasing other packs more to the public liking.

If we are to accept the view, as seems likely, that profit margins will be narrowed in future, we must seek methods of processing a larger pack at reduced cost. We have ample funds for this purpose and you may be sure that, where needed, they will be used to the best advantage.

BOARD'S PROPOSALS

You will see from the accompanying notices that two proposals will be put before you at special meetings which will follow the annual general meeting. One, that the annual remuneration of the directors of the National Canning Company, Limited, shall be increased as follows: the chairman from £200 to £1,000 and for each of the directors from £50 to £500.

The other resolution contains proposals to capitalise part of the reserves of the company. Subject to your approval, when this capitalisation has taken place the free reserves of the group will stand at £2,522,231.

I would like to express appreciation for the help of my fellow directors and, in particular, to those upon whom the main burdens of the reorganisation, to which I have referred, have fallen, as well as to the managers and staff who have cheerfully dealt with the new problems and difficulties that the year has brought, with great goodwill and energy.

The report and accounts were adopted and the dividend of 25 per cent was approved.

The retiring director, Mr G. W. Osborne, was re-elected and the remuneration of the auditors, Messrs Price Waterhouse and Co., was fixed.

At the subsequent extraordinary general meeting resolutions were passed increasing the authorised capital to £950,000 by the creation of 200,000 additional ordinary shares of £1 each and capitalising £257,125 of reserves by the payment up in full at par of 257,125 ordinary shares of £1 each to be issued in the proportion of one new share for every two held. The proposed alteration to the articles of association was also sanctioned.

BERALT TIN & WOLFRAM

MR F. GATES ON THE OUTLOOK

The twenty-fifth annual general meeting of Beral Tin & Wolfram, Limited, was held on October 29, 1953, at Winchester House, London, E.C.

Mr F. Gates, chairman of the company, presided, and, in the course of his speech, said: It is a great pleasure to present to you accounts which record the result of another successful year's operations. The market price of wolfram, our principal product, which during the previous financial year ranged between 560s. and 485s. per unit, fell steadily during the year under review from the latter price to 330s., so that a substantial fall in profits as compared with the previous year was inevitable. This fall would have been considerably greater but for the fact that more than one-half of the year's production was covered by long-term contracts at prices appreciably higher than the average market price for the year.

As from October 1, 1953, only 40 tons of wolfram concentrates per month, less than a quarter of the total production, remains covered by a fixed-price contract and the average selling price will, therefore, in the absence of unexpected developments, approximate more closely to the market price current from time to time. As you will be aware, this has fallen further since the end of the financial year to 260s. per unit.

The future course of the wolfram price is subject to so many uncertain factors that I would not venture to forecast it, but I can at least assure you that the high quality of the company's wolfram concentrates, which has been more than maintained, is recognised both in this country and the United States.

IMPROVEMENT OF PLANT AND EQUIPMENT

The company's prosperity during recent years has offered an opportunity to modernise and improve plant and equipment which has not been missed. You will notice an expenditure during the year under review on fixed assets (including work in progress) of over £80,000. This represents mainly the cost of extending the old Panasqueira Mill and making minor additions to the River Mill, erecting the new canteen at Barroca Grande and improvements in housing for workmen and staff.

The capital commitments of £40,000 referred to in a note on the balance sheet relate for the most part to plans now well advanced for converting the River Mill from d.c. to a.c. electric power, which will result in greater efficiency and reduced costs, and for the installation of two English Electric diesel generating sets. These two sets, one of which is already installed, together with the Belliss and Morcom diesel engine available at Barroca Grande to drive one of the compressors there, will provide sufficient stand-by power for full maintenance of the company's production even if, through prolonged drought or other cause, the "grid" power were entirely cut off.

HEAVY TAX BURDEN

I come now to the subject of taxation. Out of a gross profit of nearly 2½ million pounds, almost two million pounds has to be provided for taxation in Portugal and the United Kingdom, the exact figures representing total tax of over 16s. 3d. in the pound, a rate which no company, least of all a company working a wasting asset, could support indefinitely.

You will probably have seen reports that the Portuguese export tax on wolfram con-

centrates has recently been modified. It was originally levied at a fixed rate equivalent to £500 per ton, irrespective of the wolfram price, which represented roughly one quarter of the value of wolfram at the time the tax was imposed.

The tax is now calculated on a sliding scale formula based on the price at which the wolfram concentrates are sold and on this new basis, with a selling price of 300s. per unit and the present rate of exchange, works out at about £350 per ton, which, although substantially lower than the former tax, represents a larger fraction, about one-third, of the value of the wolfram.

You will, I am sure, agree with me that Portugal has every right to share in the company's prosperity, but an export tax on this scale imposes on the company an unduly heavy burden and one which would become very difficult to support with lower wolfram prices.

The company's taxation position is aggravated by the fact that the Portuguese export tax is ineligible for unilateral tax relief in the United Kingdom. The company is thus entirely deprived of a UK tax relief which was expressly designed—and increased to 100 per cent in this year's Finance Act—with the purpose of assisting British companies operating overseas. It is to be hoped that the Royal Commission on the Taxation of Profits and Income, to which representations have been made on this aspect of tax relief, may recommend measures to remedy this gross injustice.

ORE RESERVES

It is interesting to note that the reopening of the Panasqueira Mill has made it possible to treat ore from the upper part of the mine, work on which had been left in abeyance when that mill was closed until sufficient ground had been opened up on No. 1 Level. Ore from this source, which is of quite good grade, has made a useful contribution to production, but the bulk of output has come from the ground between Main Adit and No. 1 Level, which continues to open up satisfactorily.

Although we have drawn heavily during recent years on the ore reserves so far made available, I do not feel it necessary at present to sound any note of warning on this aspect of our operations. It is true that we have extracted almost all of the ore above Main Adit, including the old Panasqueira area, but we are assured of ample reserves for the next few years in the block, 200 feet deep, between Main Adit and No. 1 Level. Furthermore, work between that level and No. 2 Level, 325 feet lower, is giving promising indications of the continuity of veins to that depth. Much more remains to be done, however, before I can speak with any certainty of the quantity or the grade of the ore in this lower block.

Work has continued in the Vale da Ermida and a quantity of ore from that section has been tested in the Panasqueira Mill. These tests confirm the belief that tin and wolfram values persist over an extensive block of ground running into millions of tons, but have made it clear that these values are not high enough to permit of profitable working by our normal mining methods. We are not without hope, however, that some method of low-cost bulk mining and subsequent treatment of the ore may eventually be devised to meet the special problems presented by the nature of the ground in this area.

The report and accounts were adopted.

RONEO LIMITED

REASONS FOR REDUCED TRADING PROFIT

CONSTANT WATCHWORDS—COMPETITION AND COSTS

EFFORTS FOR FURTHER IMPROVEMENT IN EFFICIENCY

NEW EXPORT RECORDS ACHIEVED

SIR GREVILLE S. MAGINNESS REVIEWS ECONOMIC TRENDS

The forty-sixth annual general meeting of Roneo Limited was held on October 27th at the Holborn Restaurant, London.

Sir Greville S. Maginness, KBE, chairman of the company, who presided, said:

Ladies and gentlemen,—The directors' report and accounts for the year ended June 30, 1953, have been in your hands for the requisite period and I assume that you agree to take them as read. (Agreed.)

As on previous occasions, I propose to draw attention to items in the consolidated accounts which I consider will be of interest to stockholders.

PROFIT AND LOSS ACCOUNT

The profit on trading shows a decrease from £806,986 to £550,226 and the net profit for the year—after providing for taxation, depreciation and amounts written off, is £189,681, as against £213,524 for the corresponding period in the previous year. The relatively small reduction in the net profit is largely due to the incidence of taxation. In appropriating this net profit your board consider it prudent to supplement the general and plant replacement reserves to the extent of £80,000 and £40,000 respectively, bringing these items in the balance sheet to a figure of £400,000 each. The preference dividends on the 6 per cent and 10 per cent stocks have already been paid, in addition to an interim dividend of 5 per cent, less tax, on the ordinary stock. It is now proposed to maintain the dividend on the latter by a final payment of 12½ per cent, making a total of 17½ per cent, less tax, for the year. After payment of these dividends the amount to be carried forward to next year will be £294,530, compared with £275,925 brought in from the previous year.

BALANCE SHEET

The net liquid assets as at June 30th last amounted to £1,862,363, whilst the revenue reserves—including the carry forward on profit and loss account, but excluding taxation—amount to £1,124,530.

The only other item in the balance sheet which might call for comment on my part is that relating to stocks. These have received the unremitting attention of your board in order to ensure that their movement is in line with existing trading conditions. I can assure you that they are, as usual, valued on a conservative basis. The decrease in the stock mainly accounts for the increase in the cash holdings of your company.

TRADING

In my address last year I referred to the recession in demand which took place in March, 1952, and I informed stockholders that they must not expect the record sales of that year to be repeated during the year covered by the present accounts. I went on to say that profits were certain to be lower, although not sufficient to prevent the pay-

ment of a satisfactory dividend on their investment.

Both these forecasts have proved to have been correct. The fall in trading profit is due to reduced sales, higher costs of wages and materials without any increases in our selling prices. Whilst our sales during the first quarter of this financial year do not compare unfavourably with those realised during the corresponding period last year, our trading results for the current year depend much more upon the future course of competition and costs—those two "c"s which must be our constant watchword. I shall refer to this question later in my remarks. To meet these conditions so far as lies in their power the board will continue to spare no effort to still further improve the manufacturing and selling efficiency of your business. The ploughing back of profits in past years and the consequent strengthening of the liquid resources will stand the company in good stead in the pursuit of these aims.

MACHINES AND SUPPLIES

I am pleased to be able to inform you that there is still nothing in the duplicator field which will compete with the efficiency and economy of the single cylinder fully automatic inking system on the Roneo 500 which is thoroughly appreciated by the discerning purchaser.

Last year I referred to our exclusive electronic stencil. You will be pleased to learn that a prototype of a machine to produce electronic stencils for use on the larger policy model Duplicator has now been developed and approved thus extending the application and use of this outstanding achievement over a wider field.

STEEL EQUIPMENT

On May 6th last the Government relinquished control of the supply of steel sheets. This has enabled us to resume the manufacture of those lines of steel equipment which our clients both at home and abroad have had to do without during the past 13 years. I refer particularly to lockers, shelving and cupboards. It will take time to recover our lost markets especially in the export field where our competitors have established themselves, but we shall spare no effort to take full advantage of the wider opportunities now once more available to us.

The continued growth of the supply of banking equipment both in this country and abroad is encouraging. An increasingly large number of banks who recognise the advantages of equipping their establishments with the most modern steel equipment are accepting the offer of Roneo Service freely placed at their disposal to survey their needs of both standard and special lines.

EXPORTS

It is with much pleasure that I am able to report a further albeit small increase in our

export sales during a very difficult year, and we have once more attained record figures both in volume and value in this section of our business. These results are all the more gratifying on account of the difficulties which still persist by way of prohibitions, controls, currency restrictions and growing local manufacture in many parts of the world. I wish to refer particularly to our sales in dollar markets, which show an increase of approximately 20 per cent compared with the previous year. It has been no easy task to achieve this improvement, but these encouraging results will inspire us to make still greater endeavours to establish ourselves in these markets on a firm basis.

NATIONAL SITUATION

In considering the results of the past year and the prospects for the immediate future of our own company, I think it is useful briefly to pass in review the main events and trends in our national economic situation because the essential condition for the prosperity of every company in this country is that our national economy should be on a sound and healthy basis.

When we met at this time last year we were emerging from perhaps the most critical of the successive crises through which this country has passed since the war. It was at that time by no means certain that the temporary check to the loss of our gold and dollar reserves which occurred during the summer of 1952 would be converted into a definite upward trend.

However, the past twelve months have seen a consolidation of our position, and while at September 30, 1952, the amount of these reserves stood at only £602 million, they have mounted steadily though slowly to the figure of £888 million as at September 30th this year. We must, of course, feel satisfaction that such a recovery has occurred, but when we consider the nature of the measures, involving as they did very substantial reductions in imports by this country and by other members of the sterling area, which played so great a part in achieving this result, it must be recognised that the result itself is modest enough.

Between June 30, 1951, and March 31, 1952, our gold and dollar reserves fell from £1,381 million to £607 million; that is at an average rate of £86 million per month over a period of nine months. In the year from September, 1952, to September, 1953, the increase in these reserves has been at the rate of some £24 million per month. During that time we have received from the United States Aid totalling £122 million, or some £10 million per month. Thus, leaving aside the receipts from United States Aid, the increase in the gold and dollar reserves which has been actually earned by ourselves and the other sterling area countries during this past year has been at the rate of about £14 million per month, or less than one sixth of the monthly loss in the period June 30, 1951, to March 31, 1952.

We have also to recognise that circumstances have been particularly favourable to us in this period. As between August, 1952, and August, 1953, the average price of our imports fell by 10 per cent, while the average price of our exports fell by only 3 per cent, so that the terms of trade turned in our favour by about 7 per cent and this was itself one of the major contributory factors in the building up of the gold and dollar reserves.

It would, however, be imprudent for us to expect that trend in the terms of trade to continue indefinitely, and it may well be that these favourable influences have nearly spent their momentum and that the trend itself may be reversed.

GOLD AND DOLLAR RESERVES

I have referred at previous annual general meetings to the dependence of this country on its ability to import from abroad the essential supplies of food for its people and of the raw materials for its manufacturing industry, and I think it is a sobering thought to reflect that at their present level our gold and dollar reserves which have to support the trade of the whole sterling area—of which this country's own trade is only about one-half—are sufficient to meet the cost of this country's imports for about three months, whereas before the 1939-45 war they were sufficient to meet this country's imports for eight months.

During the past year the Government has, in consultation with the Governments of the other countries of the Commonwealth, formulated plans to put an end to the recurrent balance of payment difficulties which we have experienced since the war, and has made it clear that if the long-term measures envisaged by it to strengthen the position of the sterling area are to be successfully undertaken and our other external commitments met, it will be necessary for this country to increase the volume of its own exports to a level 20 per cent above that of 1951. This may not convey much to some people, but it means no less than double our prewar volume of exports. Expressed in these terms, the magnitude of the task ahead of us will be better understood, and we must never forget that our customers overseas are not prepared to pay more or to accept longer deliveries for our goods when they can obtain similar products elsewhere on more favourable terms.

In recent years I have drawn attention to the accelerating growth of competition in our overseas markets and, whilst a few years ago many firms did not feel the impact of that competition, reports from all sides now speak of increasing difficulties not merely in expanding overseas markets but in retaining our position in markets in which we had thought we were established. In this situation we must make every effort to keep down our manufacturing costs, but firms face in this matter the greatest difficulty because so many elements of cost over which they have no direct control are constantly mounting.

It is perfectly true that increased efficiency in industry can itself make a substantial contribution to reducing costs. This is not solely a matter of installing more efficient machinery, but is also a matter of making the best and fullest use of our existing resources. In this matter a considerable responsibility rests upon industrial management and there is much that can be done by improved methods and more efficient planning of production. Nevertheless, to my mind it is essential that everyone engaged in industry today, at whatever level he works, should challenge himself as to whether there are ways in which he can improve his own individual efficiency and increase his contribution to the solution of our national problems. Much has been said in the last

few years about improving efficiency and increasing productivity, but I am sure that we have not yet succeeded in bringing this home as a matter of personal responsibility to the people of this country.

GROWING DIFFICULTIES

Too often in recent years a temporary improvement in our economic situation has produced a sense of complacency and a slackening of effort. There appears to me, however, to be nothing in our present situation which justifies any such feeling. In whatever direction one looks—whether it be to export prospects, to the urgent problem of fuel supplies or to the present trends of internal costs and prices—there are indications of growing difficulties for British industry, and I think it would be foolish to delude ourselves with the idea that we have yet made any serious impression on the major problem with which we have been faced ever since the war of adjusting ourselves to the realities of our present position in the world. I am convinced that it is well within our capacity to re-establish our national prosperity, but I think that the first essential step in doing this is to bring home to everyone a full realisation of the magnitude of the effort which is necessary.

In conclusion, I again wish to convey on behalf of the board sincere thanks to all employees, both at home and abroad, who by their loyal co-operation have made their valuable contribution to the results achieved during the past difficult year.

The report and accounts were unanimously adopted.

FOISTER, CLAY & WARD, LIMITED

RECORD PRODUCTION

The twenty-seventh annual general meeting of Foister, Clay & Ward, Limited, was held on October 29th in London, Mr A. Clarke Vincent, FSAA, the chairman, presiding.

The following is an extract from his circulated statement:

Net consolidated trading profits amounted to £411,701. Taxation absorbs £252,835. Your directors recommend a final dividend of 9 per cent, making 15 per cent, less tax, for the year.

The improvement which I foreshadowed in my last report was continued throughout the remainder of the past year, though not entirely without some setbacks, notable among which was a scarcity of nylon yarn.

Production and turnover for the year reached an all time record and is continuing to increase. We have installed a new research laboratory to improve the quality of our products and to maintain high standards.

The major part of our capital expenditure was at Mansfield. We were able to obtain machines and increase the output of "LOR" stockings.

We have developed new lines, including fashioned knitwear, and have set up new departments for woven fabrics, particularly at Middlesbrough.

Our spinning mill at Keighley, and all our factories at Leicester, Mansfield, Derby, Kegworth, and Middlesbrough are working to full capacity. This production is all sold for many months ahead and, although profit margins are less than they were two-three years ago, I am reasonably confident, given stable prices of our raw materials, and barring any unforeseen calamity, that the current year will be at least equal to the one now presented to you.

The report and accounts were adopted.

WATNEY COMBE REID AND COMPANY

EXPANSION OUTSIDE LONDON

The annual general meeting of Watney Combe Reid and Company, Limited, was held on October 23rd at the Windsor Castle Restaurant, Victoria, S.W., Mr S. H. Combe, MC, chairman, presiding.

The following are extracts from his circulated statement for the year to June 30, 1953:

Although your company managed to hold their own in regard to trade generally, the London area again proved disappointing. You will remember that my remarks last year when looking to the future were, in certain quarters, thought to be too pessimistic. I was then unable to foresee in the near future an upward trend taking place in Southern England and was doubtful whether the position had been reached where no further decline was likely. I regret to say that that forecast has been only too correct.

DEMAND FOR BOTTLED BEERS

Expectations based on the Coronation festivities and the consequential influx of visitors to London were certainly not fulfilled and since then the weather has not contributed to the seasonal trade upswing of a normal summer. The trend in London towards bottled beers still continues, but is more than offset by the decreased demand for draught beers. As yet we do not seem to have reached the time when we can say that the outlook for the beer trade in London is, set fair. I am, however, glad to be able to report a further increase in our export trade and further extensions of our trade outside the London area. A satisfactory aspect has been the keen demand, particularly in the West Country and the Midlands, for Watney's brown ale which is now available to a much larger section of the public than heretofore.

We were able to agree terms for the acquisition of the Ordinary Stock of Tamplin & Son's Brewery, Brighton, Limited. By this purchase we have acquired some 400 public houses situated wholly in the county of Sussex, where we were indifferently represented before, especially in the Brighton, Hove and Worthing area. From a trading point of view, the board consider that the purchase offers valuable potentialities.

The parent company and its subsidiaries have been successful in obtaining several new sites for licensed houses on new housing estates.

Time and money will be needed to expand the market for Coca-Cola. I would, therefore, repeat my last year's warning to those optimists who visualise a great benefit to Watney's profits in the near future.

PROFIT AND DIVIDEND

Trading profit at £1,579,943 compares with the figure of £1,542,879. The net profit, after providing for taxation and all the necessary provisions and expenses, is £45,548 larger, at £647,299 than last year's figure. The slight increase in profits is almost entirely due to savings that we have been able to effect.

The report was adopted and resolutions for appropriations to reserve, for the conversion of 175,900 deferred ordinary shares, issued in part payment for the Tamplin Brewery Ordinary Stock, into Deferred Ordinary Stock, and for the payment of a final dividend of 10 per cent and a bonus of 2 per cent, making 17 per cent for the year, on the company's Deferred Ordinary Stock, were approved.

CARRIER ENGINEERING COMPANY

POSITION OF FINANCIAL STRENGTH

MR S. L. GROOM ON TREND OF CURRENT TRADING

The annual general meeting of the Carrier Engineering Company Limited was held on October 29th.

Mr S. L. Groom (chairman and managing director) presided, and in the course of his speech said:

When I addressed you last year I referred to the fact that in spite of a tentative contraction of capital expenditure our accounts for that year showed a better result than in 1951. The accounts we are considering today show a modest improvement over 1952, but it is proper to draw attention to the fact that the tendency which was apparent in 1952 has developed and has become pronounced in 1953.

The figures with which I am about to deal will no doubt be regarded as satisfactory. The gross trading profit at £383,000 and the net trading figure at £347,000 are slightly more than last year. Our net income after taxation is £165,783 and is some £27,000 more than the corresponding figure in 1952.

The income tax assessment for the fiscal year to April 5, 1955, is upon the profits shown by these accounts and provision for this amounts to £167,400.

AMPLE DEPRECIATION PROVISION

You will observe that we have followed our usual practice in making ample provision for the depreciation of our fixed assets and the effect of this policy is clearly shown in our balance sheet. Here you will observe that the cost of patents and goodwill has been written down to the nominal figure of £1 and, of course, the substantial sums we have expended in protecting our name and equipment have been written off throughout the years.

The book value of our freehold and leasehold properties is shown at £63,274. One of our leasehold properties was itself valued in 1950 at nearly £90,000, and there is no reason to believe that this value has diminished since that time.

Factory and works fixtures, fittings, designs, patterns and loose tools also appear at the nominal figure of £1.

The figure of stock is nearly £52,000 less than in 1952. The fall in the general level of prices and a marked improvement in the supply position has encouraged us to use up a substantial portion of our stocks.

Our current liabilities, including provision for the dividend we are recommending, amount to £349,300, and the surplus of current assets over current liabilities is over one million one hundred thousand pounds.

TREND OF CURRENT TRADING

I feel that I should now say more about present trends and their effect on your business. There has, as I anticipated, been a pronounced reduction in the allocation of capital expenditure throughout industry, and this is bound to have repercussions on businesses such as ours, which specialise in the design of what I may term "purpose-made" equipment, and although the volume of work completed during the first four months of this current year is only slightly less than our average for the last financial year, our order book for future delivery compares less favourably.

The engineering service we render results in an increase in the tempo and uniformity

of production, and for this reason progressive managements will no doubt give high priority to the installation of equipment which achieves these objects.

We are further encouraged by this month's "Bulletin for Industry," issued by the Treasury and first mentioned in the daily press on October 14th, to anticipate that the situation will improve, but we cannot be certain that we can regain this inevitable loss of productive time during our current year's trading.

The success of a contracting business such as ours depends to a great extent upon liquid financial resources and the hitherto generally accepted policy of dividend restriction has helped to provide additional working capital which has been of the greatest value to your business. The amount we are proposing to carry forward, although large, is not excessive having regard to the nature and scope of our present and contemplated activities, but it will most certainly be used to maintain our ordinary dividend should such a course be necessary.

I was mindful of this possibility last year, when I emphasised our exceptionally strong and liquid financial position.

TRIBUTE TO EXECUTIVES AND STAFF

I take great pleasure in paying tribute on your behalf to my colleagues on the board for their untiring and energetic support and to the company's employees who have given their unstinted co-operation to ensure the efficient and progressive conduct of your business.

The directors' report and accounts were adopted and the dividends approved.

THE OLYMPIC PORTLAND CEMENT

DELIVERIES IN BULK

The forty-second annual ordinary general meeting of The Olympic Portland Cement Company, Limited, was held on October 28th, in London.

The Hon Gerald H. G. Williamson (the chairman) said that adverse factors had had their effect and the excellent profits of 1951-52 had not been maintained during the year under review. Trading profits before depreciation and depletion had fallen from £236,404 in 1951-52 to £152,722 in the present year, but it should be remembered that 1951-52 had been a record year. Net profits at £39,038 showed a decrease of £44,423, after charging £28,137 for depreciation and depletion, £72,148 for adjusted British taxation and management expenses.

As more and more buyers were calling for barge delivery in bulk which they were not properly equipped to handle efficiently, their managers in Seattle had requested authority to proceed with the installation of bulk loading facilities as a first priority and that authority had been granted in December last. The installation was completed early in September of this year.

Their Canadian subsidiary, Beac Quarries, Limited, had had its most successful year, the net profit of \$27,572 being the highest ever made, although it was in part due to some extraordinary revenue from the sale of timber.

So far as prospects for the current year were concerned, deliveries of cement were running some 17 per cent lower than a year ago, but they were hopeful that with the new bulk loading facilities now in operation they would be able to make up some leeway by obtaining a larger share of the cement market.

The report and accounts were adopted.

DALGETY & COMPANY

ANOTHER SUCCESSFUL YEAR

The annual general meeting of Dalgety & Company, Limited, will be held on December 17th in London.

The following is an extract from the review of the year 1953 by the chairman (Mr D. Abel Smith):

From the directors' report and accounts for the year ended June 30th last you will see that the company has enjoyed another successful year's trading.

I mentioned last year that our land department staffs had carried out a valuation of our fixed assets, which had revealed a substantial appreciation over balance sheet figures, and we have since brought part of this appreciation, £2,600,000, into the books, so that the balance sheet now shows net assets somewhat nearer their real worth.

Where justified, we have continued to replace outside agents by our own staff officers. With changing conditions in Australia and New Zealand, it is becoming evident that an organisation with wide representation, such as this company, can offer a service to the pastoralist and farmer that is second to none, and in consequence we have little doubt that our direct country representation will continue to grow, within the limits imposed by our capacity to provide staff and premises.

The company now has direct representation at 233 centres overseas, as follows:

	Australia	N.Z.	East Africa	Tot.
Branches	11	7	7	25
Sub-branches	94	35	—	129
Agencies	24	54	1	79
	129	96	8	233

PROFIT AND DIVIDEND

The profit for the year, after providing for all expenses and taxation (other than profits tax on distributions), amounts to £490,635, as compared with £484,505 for the previous year. Apart from 1951, this year's results are a record for the company.

From the appropriation account you will see that the directors have utilised £42,492 in meeting the expenses of the new share issue, and have allocated £150,000 to contingencies reserve and £25,000 to supplementary pensions reserve. We are recommending a final dividend of 6½ per cent on the "A" ordinary shares, which, with the interim dividend of 2½ per cent paid in May, represents 8½ per cent for the year.

OUTLOOK

Trading conditions are, on the whole satisfactory and, with greater freedom generally, there may be fresh opportunities for expansion from time to time, though they are certain to be of a highly competitive nature. I mentioned last year that the heavy rise in expenses, to a great extent outside our control, was a worrying feature in a business so much dependent upon making small margins on large turnovers.

I am glad to say that so far the rise in expenses has generally been covered by additional earnings, and a special watch is being kept upon opportunities, where they exist, of ensuring that this remains the case. With the steps taken last year to increase the share capital, sufficient funds are available for a reasonably progressive policy, and your board believes that the programme arranged is providing about right for present circumstances without any wasteful accumulation of funds which may not be needed for some years.

TRAWLERS GRIMSBY, LIMITED

A SATISFACTORY RESULT

The annual general meeting of Trawlers Grimsby, Limited, will be held on November 18th, in London.

The following is an extract from the circulated statement of the chairman, Mr J. Carl Ross:

The total of our trading profits is £243,563, inclusive of profits applicable to prior years of £20,178. This is a decrease of £34,452 on the year to March, 1952, after due allowance has been made for income of a non-recurring nature in both years. This result is considered to be satisfactory under the difficult trading conditions ruling throughout the period.

The net profit of the group is £44,673 (£53,603) from which profits attributable to outside shareholders amounting to £434 is deducted, and there is added "Provisions no longer required" £5,474, making the total net profit attributable to Trawlers Grimsby, Limited, £49,713, compared with £58,884 last year. It is proposed to pay a final dividend on the issued ordinary stock of 10 per cent, absorbing £10,344, making 15 per cent less tax, for the year.

Owing to the great disparity between the issued ordinary stock and the capital employed, it is proposed, subject to the usual formalities, to capitalise £94,035 of the general reserve by the scrip issue of £1 worth of ordinary stock for each £2 worth held.

FISHERMEN'S DANGEROUS CALLING

Our fleet remains approximately the same, but it is with much regret that I have to report the loss of one of our North Sea trawlers—the s.t. Riviere, with the irreplaceable loss of nine of her crew. This is one of the hazards of fishing which is unfortunately continually being brought home to us.

Fishing conditions continue to be difficult, but it is pleasing to report that there is an improvement in the unit catch per day on the North Sea grounds. While this might under normal conditions warrant building new vessels for the North Sea, the continual rise in the cost of new tonnage is getting beyond all reasonable proportions, and at the present time it is quite impossible to earn sufficient to cover interest charges and replacement costs on such vessels. This question of costs is always foremost in our minds when we hear of the necessity of the housewife having cheaper fish.

ICELANDIC DISPUTE

Much publicity has been given recently to the import of Icelandic fish. Iceland cannot produce fish at a lower cost per stone than the British trawler fleet, so that if there is some special reason for the lowering of prices because of Iceland wishing to break into the British market again there must inevitably be a rise later for purely economic reasons. The Icelandic fishing industry cannot survive at prices below those at present ruling.

It is perhaps of interest once again to state that the present ban on Icelandic-caught fish arises purely because of the arbitrary manner in which that country has fixed a fishing limit seawards to the exclusion of our own fishermen who have been fishing in those waters for over 50 years. All sections of the industry would welcome a more reasonable attitude on the part of the Icelandic authorities so as to expedite an early and equitable settlement. Meanwhile, the exclusion of Icelandic-bought fish from this

country has not increased the price of fish; in fact, the average price of distant-water fish has been less almost every month since the dispute started.

For the six months to September 30, 1953, our trading results are approximately the same as during the same period last year. It is most difficult to make a forecast for the year to March, 1954, but it is felt that your company, with its wide field of activities, will continue to make further progress.

BENNIS COMBUSTION, LIMITED

FURTHER PROGRESS

The eighteenth annual general meeting of Bennis Combustion, Limited, was held on October 23rd at Manchester, Sir Herbert G. Williams, Bart, MP, the chairman, presiding.

The following is an extract from his circulated statement:

I am pleased to report another year of successful effort and of progress. Turnover has been substantially higher and the net profit of the group for the year amounted to £63,920, as compared with £30,545 in the previous year. Your directors feel justified in recommending a small increase in the final ordinary dividend to 7½ per cent, making 12½ per cent for the year.

Whilst all departments of our business have been fully employed throughout the year, both our subsidiaries have substantially contributed to the increased turnover and to the results obtained. One of these companies, Saxon Engineering Company, Limited, has completed during the year a large contract obtained in 1949 for a complete coke screening, conveying, cleaning and storage plant for the West Midlands Gas Board, with very satisfactory and encouraging results, whilst both subsidiaries have had an individual record turnover in 1952-53 and a year of progress.

Your company's wide and extensive experience as manufacturers of all types of machines for the burning of all grades of coal fuels is being more readily sought by steam users. In the mechanical handling department, our turnover for all types of coal and ash handling plants is steadily increasing.

The report and accounts were adopted.

NORTH KALGURLI (1912)

INCREASED ORE RESERVES

The annual general meeting of North Kalgurli (1912) Limited was held on October 28th in London.

Mr C. T. Ley (the chairman) said that profit for the period before taxation was £10,416 greater at £106,005. Taxes, however, at £60,526 against £48,802 also showed an increase of £11,724. With the amount brought forward, less the interim dividend, there was a surplus of £80,990 out of which they were recommending the payment of a final dividend of 7½d. per share, less tax, on the increased capital.

Ore treated had been some 13,578 tons less than the previous year, although their quota at both plants had been fully filled, with some increase in grade amounting in ounces to 1,447. Their total ore reserves were estimated at 2,234,415 tons of an average grade of 5.57 dwts, against 2,183,162 tons of an average grade of 5.62 dwts. That was an increase of 51,250 tons which, if it had been sent for treatment, would have represented a further 4,000 tons each period.

Developments had been rather restricted during the first six months of the year, but

with the completion of the Shaft a total of 9,806 ft for the year had finally been reached. A run of 106 ft assaying 15.6 dwts per ton over a width of 7 ft was mentioned in the North Kalgurli Section on No. 10 Level. In the Kalgurli Section on the important No. 5 Level, a drive 264 ft in length, with an average width of 5 ft, had given values of from 3.2 to 10.5 dwts per ton. Recent reports mentioned also in this section an advance of 86 ft averaging 7.1 dwts per ton on the No. 17 Level.

The report and accounts were adopted.

STRATFORD-ON-AVON PRODUCE CANNERS

A SATISFACTORY RESULT

INCREASED RANGE OF PRODUCTS

The twenty-first ordinary general meeting of Stratford-on-Avon Produce Canners, Limited, was held on October 26th at the Welcombe Hotel, Stratford-on-Avon, Colonel N. C. Joseph, chairman of the company, presiding.

The secretary (Mr G. E. Smith) read the notice convening the meeting and the report of the auditors.

The following is the statement by the directors, circulated with the report and accounts for the year to May 31, 1953:

Your directors have to report the trading profit for the year amounts to £81,593, compared with £95,080 last year. The profit and loss account shows the net profits amount to £35,484, compared with £42,280 for the previous year, and the directors recommend that this shall be dealt with as set out in the company's appropriation account. You will observe that after provision for dividends, the balance to be carried forward has been increased by the sum of £21,346 to £136,754, an amount which is considerably in excess of the company's issued ordinary share capital.

INCREASING POPULARITY

As anticipated in last year's report, trading conditions have changed considerably, competitive times are with us again, but the high quality and increasing popularity of your company's products, combined with its conservative policy, have shown what, in your directors' opinion, is a satisfactory result. The range of products has continued to increase and your directors look forward to the future with every confidence.

In accordance with the articles of association, Mr G. E. Smith and Mrs D. Edkins retire from the board and, being eligible, offer themselves for re-election. We take this opportunity of thanking our employees for their continued loyal services during the year. The auditors, Messrs James, Stanley and Company, have intimated their willingness to continue in office.

The report and accounts were adopted; the proposed final dividend of 14 per cent, making 20 per cent for the year, and a bonus of 5 per cent, both less tax, were approved, and the retiring directors were re-elected.

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

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

AUTUMN BOOKS 1953

Selling Books

A CRISIS in the book trade has become so proverbial that anyone who mentions it will be accused of crying "Wolf." But certainly the economics of general publishing and bookselling have changed rapidly in the past few years. The most significant of these changes are the price increases forced on publishers by increasing production costs; the demand for increased discounts which booksellers have insisted on, and in some measure obtained; the new distribution of incomes, which, if it has not lowered total demand, has altered the structure of it; and the return of competitive entertainment, the lack of which greatly aided the wartime and immediate postwar bookselling boom.

Rising distribution costs have been as notable in recent years as increasing costs of production, and it has been increasingly difficult for the bookseller to keep pace with his overheads. This year, a report entitled "The Results of Bookselling, 1948-1952" (known as the Balleny report) was presented to the annual conference of the Booksellers' Association of Great Britain and Ireland. The report analyses the accounts of a sample of seventeen firms of booksellers over three financial years, and was conceived as a means of bringing home to publishing houses "the seriousness of the position before a general decline in bookselling makes itself evident."

The Balleny report is primarily concerned with the sale of new books; but only twelve firms could present accounts for new books alone. The remaining five firms included secondhand books and stationery in their figures. The following figures are taken from the averages of the firms dealing in new books only.

The average rate of gross profit of these twelve firms, expressed as a percentage of turnover, increased slightly in the three years from 21.48 per cent to 21.88 per cent and then to 22.21 per cent. Meanwhile, however, after deduction of overheads (and interest on capital employed) the average net profit was 0.83 per cent, 0.04 per cent, and 0.45 per cent respectively. It should be noted that, according to the 1950 Census of Retail Distribution, only 4½ per cent of booksellers have an annual turnover of £25,000 or more, and over 80 per cent have a turnover of £10,000 or less.

The rise in the rate of gross profit can be attributed to the improved terms and conditions of supply that were granted by a number of general publishers during the period

in question. The small increase in booksellers' net profit in the last year considered, however, is shown to be almost entirely due to reductions in the wage bill. Total overhead expenses over the period averaged 19.49 per cent, 20.62 per cent, and 20.55 per cent of turnover, and within these figures wages and salaries, including management remuneration, accounted for 12.85 per cent, 13.24 per cent, and 12.84 per cent. The minimum wage in bookselling (which is so low that, at any rate in London, few capable assistants can be paid the bare minimum) has been increasing, and will increase again shortly. One can only assume that booksellers have been forced to meet the rising costs of distribution either by dismissing some of their staff or by not replacing those who leave.

This reduction in staff is serious, for many of the complaints voiced against the book trade's service are directed against lack of interest, or lack of knowledge, on the part of the sales staff. Booksellers are not blind to the fact that much of the goodwill of their custom, and hence much of their trade, depend upon the knowledge displayed to the customer and the service given to him. But booksellers are equally wide awake, it would appear, to the fact that it is becoming economically impossible to employ a knowledgeable staff and to provide a high cost service. It is with this dilemma largely in mind that the Balleny report states:

In the circumstances of today it is hard to see what remedy may be found for the plight of new booksellers other than an improvement in the publishers' terms and conditions of supply.

Publishers have already, in most cases, cut the margins fine. They have granted some improvement where possible, but they say that the only real answer is to sell more books. Increased margins for the trade can only mean, in the case of the majority of books, that the price must rise, and the public is manifestly unwilling to pay higher prices. The total of publishers' turnover has been steadily rising, but so has the percentage of their turnover accounted for by exports. The total turnover of retail booksellers in this country is not known, but the figures given for the firms considered in the Balleny report show a decline in the average turnover. Stocks must have been piling up in the trade, for even the more successful booksellers have found their stock turning over fewer times during the year.

Compared with pre-war prices, the price of new books



THE FEDERAL RESERVE SYSTEM

1945-1949

By J. S. Fforde 35s. net

This book is an historical examination of central banking in the U.S.A. during the late nineteen-forties. It was written by an English observer who was fortunate in being able to supplement documentary research with personal contacts in America.

THE PRICE OF FUEL

By I. M. D. Little 12s. 6d. net

A reform of prices and tariffs constitutes the main part of the national fuel policy proposed here, a policy which is urgently needed if crises are to be avoided in the future, and if Britain is ever again to achieve the large coal exports of pre-war years.

THE FUTURE OF STERLING

By A. C. L. Day

Probable price 12s. 6d. net

The international position of sterling, both within the Sterling Area and outside, is a matter of the greatest importance for the future of the British economy. This book considers the origins of the present position of sterling as an international currency and on this basis suggests possible lines for future development.

THE REBIRTH OF AUSTRIA

By Richard Hiscocks 18s. net

In this book the author describes the re-creation of the Austrian Republic after its absorption by Nazi Germany in 1938 and gives an account of the revival of its political, economic, and cultural life from 1945 until the spring of 1953.

OXFORD
UNIVERSITY PRESS

is not high. But it is true also that they are expensive—in relation to the other ways now open to people to occupy their leisure time. People now want cheaper books if possible, and certainly not more expensive ones. Like any other mass-produced article, the price of a new book is greatly affected by the size of the printing and by its chances of being readily and speedily sold in large quantities. Publishers are unanimous in their dislike of the single copy order, which is costly, and will therefore only supply it at short discount to the bookseller. But one of the bookseller's important functions has been to accept orders for single copies of books which he has not got in stock, and this service has recently been proving increasingly costly. Postage and carriage charges (which he frequently has to bear) have risen, and the labour cost of research that an inquiry may involve may be considerable.

Another dilemma is that more and more books are published, and the bookseller is consequently under pressure to stock fewer copies of more titles, whereas to make his business profitable he should be stocking and selling more copies of fewer titles. The only thing he can do is to endeavour to equate his stock to his expected demand, and trust that he can keep single copy orders of cheap books to a minimum.

The bookseller will welcome cheap books if he can buy and sell them in quantity, and as long as they can be relied on to sell themselves to a great extent. Mass merchandising of any cheap article can come only at the expense of personal attention and

knowledgeable salesmanship. If the public wants cheap books, there is no reason why it should not have them, provided that customers remember that if they want special service it will have to be sought and paid for, which will make many purchases more difficult. If the economic climate encourages only best sellers, the distributive mechanism must change.

Good, cheap books, mostly in paper covers, have come to stay in the United States. They are on the increase here. Collins recently introduced a series of cheap, well produced reprints. The Publishers' Guild is producing paper covered editions of a number of new cheap books for simultaneous publication with the cloth-bound editions. Any book that is assured of a large reading public can be produced and marketed cheaply. If cheap marketing becomes general, however, the old standards of service will have to go to some extent, and the less popular, but possibly more important books may suffer.

In the very different economic conditions of America, much the same thing is happening. An American recently spoke of rising prices, falling profits, the growth of book clubs and the increase in paper-backed publishing. The heavily stocked, "old-fashioned" bookseller is already a rarity. But the American's conclusion is perhaps significant of the difference between the two sides of the Atlantic. If the "old-fashioned" trade disappears, after a time someone will come up with a wonderful new idea. "He'll invent a bookstore."

The Broth of a Girl

MIND YOU, I'VE SAID NOTHING.
By Honor Tracy.
Methuen. 176 pages. 12s. 6d.

ONE wonders sometimes why the Irish should rouse such violent emotions in those who write about them. Few visitors have ever been able to preserve a sense of proportion. The Irish, it seems, are either a noble-spirited race who trail the last enchantments of a better world (pre-Reformation, pre-Industrial Revolution, pre-1914, pre-United States—according to choice but always pre-something or other) or they are a dishonest, drunken and lazy tribe whose only standards of civilisation are derived from an unhappily incomplete conquest. However one chooses, it seems that the Irish are rarely dull. Thus writers about them are rarely dull either.

Miss Tracy is not. Her aim, according to the blurb (which is very well written), is to share "much pleasure and some pain and well-nigh endless amusement" with her readers. She has succeeded—provided that her readers can keep up with her. The narrative starts sedately but so quickens up that one has to re-read many paragraphs in order to be sure, or a little less uncertain, of who is codding whom: the true test of any book on Ireland.

If the sponsors of "tourism" in

Ireland had any sense they would distribute this book free. It is not only that Ireland preserves its own four freedoms (to talk, to drink, from work and from the company of gallant allies). It is not only that Ireland preserves "a magnificent dottiness"; that is not unique—there used to be happy Sunday mornings of indecision whether Miss Tracy should be read before or after Mr George Schwartz. It is rather that neither language nor the conventions of life, according to Miss Tracy, mean quite the same thing in Ireland as they do anywhere else. And this is what the tourist propagandists should plug; it is the unanswerable Irish riposte to Italian sunshine, Alpine snows and the Changing of the Guard.

But they won't; because, being state-aided, they can't approve of the half of what Miss Tracy says. She whirls a shillelagh (only visitors have them) which she brings down with a thwack right, left and centre, but mainly right. No vanity is left unscoured except the really sacred ones about golfers and race-horses. Nothing quite like her has been seen in Ireland since Biddy Moriarty and if Donnybrook Fair is ever revived she must have the cracking of the first skull. This is a darlin' book about grand playboys by the broth of a playgirl and it will be borrowed all over Dublin.

Shaviana

SHAW AND SOCIETY.

Edited by C. E. M. Joad.

Odhams. 279 pages. 16s.

THIS "anthology and symposium" contains extracts from Shaw's pamphlets, essays, lectures, prefaces, and correspondence, with a few passages from the plays; essays by Mr Kingsley Martin, Mr Leonard Woolf, and Mr S. K. Ratcliffe; and memorial lectures by Mr Benn Levy, Mr Hugh Dalton, and the late Professor Joad, who also provides an introduction. Like a composite King Canute in reverse, the distinguished contributors try to stem the ebbing tide of Shaw's reputation; but it will probably go on ebbing in spite of them. Shaw the dramatist, the entertainer, continues to be richly appreciated; but Shaw the prophet, the social reformer—the Shaw with which this book is concerned—is as dead in public esteem as his fellow-progressive, Mrs Bloomer. Unbelievably but unmistakably, there is something frowsty about him.

Is this merely because he outlived himself, turning into a silly old gentleman who wrote silly letters in praise of dictators, uttered silly complaints about the equalitarian taxes which he himself had advocated, and made a surpassingly silly will? Partly, no doubt; and partly, more creditably, because he succeeded so enormously in changing the climate of thought of three successive generations that, being all Shavians now, we feel little of that impact of fresh truth which is an essential element of stimulus. We take our liberation—the liberation of which Professor Joad writes so feelingly—for granted. But that is not all. Shaw was not merely a liberator in general, he was specifically a Socialist, and over all the wit and wisdom and fire of his advocacy—even while one recognises

Human Cyclone

LORD NORTHCLIFFE.

By A. P. Ryan.

Collins. 158 pages. 7s. 6d.

IN including Northcliffe in their "Brief Lives" series, the publishers made an interesting choice, and in Mr Ryan they selected an excellent biographer. The portrait of Northcliffe is on the whole faithful (except for the challengeable statement that Northcliffe was never a countryman) and will be recognisable by his surviving contemporaries, friends and foes. For posterity it is a balanced and objective record of the man and his works. Mr Ryan adds little to what is already known of the human cyclone who on the one hand revolutionised the "popular" press, and on the other saved *The Times* from extinction; but he confirms Northcliffe's niche in history as one of the most perplexing social portents of his time—perplexing, for even to Mr Ryan it has not been given to assess with finality the consequences of that revolution and the quality of its influence.

However, Mr Ryan shows us a Northcliffe who, through the medium of the printed word, brought to the million the

that a great deal more Socialism, a great deal more solidarity, a great deal more collective action and responsibility, were just what Britain needed in the days of the early Fabians—there falls today a de-oxygenated breath of Morecambe and Margate, a shadow of bureaucratic dreariness, a back-projection of forms in quintuplicate, a dust of groundnut husks. How much collectivism, how much private enterprise, how much equality, how much private incentive, are now questions of less and more, to be rationally weighed and discussed; but from Socialism as a creed, an inspiration, a palladium, the glory has obviously departed. The magnificent good sense that Shaw talked or wrote on social questions—and of which this book contains some lively samples—is commonplace today; the nonsense—and there are some wonderful samples of nonsense too—is nakedly revealed. Neither transformation helps a prophet's fame.

And yet it is impossible to believe that the tide will not turn, that Shaw will be remembered as an entertainer only. Cant and pomposity, humbug and flabbiness, the hollow phrase and the *idée reçue*, the mean admiration of mean things, are recurrent and perennial evils. They can attach themselves to other institutions than those of Victorian England. Future generations will learn from Shaw not that those institutions needed changing (which they will know from other sources), nor that collectivism is superior to private enterprise (which they will debate on other evidence) nor that the true end of man is to co-operate with the Life Force (which will probably remain unprovable), but that these recurrent and perennial evils are blessedly vulnerable; and they will give GBS that honour which is due to the great emancipators of the human spirit and will.

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John O'London's Weekly

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The Last of Lhasa

SEVEN YEARS IN TIBET.

By Heinrich Harrer.
Hart-Davis. 288 pages. 16s.

SOME books, like some mountains, are lonely, unrivalled peaks, and this is one of them. Nobody before Herr Harrer had ever done what he did, and nobody will ever do it after him. Thus, his modest and unaffected narrative—admirably translated by Richard Graves—provides not only an account of travel and endurance in remote places, but also an intimate portrait of a society that will never be quite the same again. It is, at one and the same time, an excellent yarn, a romantic vision, and an important political and historical document.

Heinrich Harrer, an Austrian mountaineer, was 27 when he was caught in Karachi by the war, together with other members of the 1939 German expedition to Nanga Parbat. The authorities in India were rash enough to intern these alpinists at Dehra Dun, so close to the Himalayas that their thoughts turned instinctively to the idea of escape into neutral Tibet and perhaps of even reaching Japanese-held China or Burma. They studied Tibetan, and copied maps of possible routes; and in April, 1944, after several unsuccessful attempts at escape, seven of them walked out of the camp disguised as Indian workmen. After eighteen days of night marching they reached the top of the 17,000-foot pass that marked the Tibetan frontier. It was then that Herr Harrer's seven years of experienced fantasy began.

Tibet, as Peter Fleming points out in his introduction to this book, is by tradition most unanxious to admit visitors. Local officials turned Herr Harrer and his companions back, turned them aside, made them halt in remote villages while they consulted higher authority, and consistently forbade them to make for Lhasa. Nevertheless, after twenty months, Harrer and one companion, Aufschnaiter, reached the forbidden capital. They had to make a weary trek through the desolate passes and plateaux to the north-west; and they arrived exhausted, ragged and penniless, having lost even their invaluable yak.

They were, however, human curiosities; and they quickly became the rage of polite Lhasa society. Herr Harrer, who by now spoke good if somewhat rustic Tibetan, tutored young noblemen, built dykes and was appointed a state official. Then, after being commissioned by the Dalai Lama to film public ceremonies, he became the boy ruler's confidant and close friend. He came to see Tibetan society from above, as he had earlier seen it from below. Fascinated both by the country and by his extraordinary position, he intended to remain in Lhasa; but in 1950 the Chinese Communist invasion—on which he sheds some interesting sidelights—drove him to take the southward road with his royal master, and eventually to cross the passes again into India. He brought with him the remarkable photographs that adorn his book, and a vivid account of life in the city that is now, under Communist rule, more truly sealed off from the world than ever before.

Men's Men

CLUBLAND HEROES.

By Richard Usborne.
Constable. 217 pages. 15s.

A REAL shock was inflicted on at least one reviewer by this delicious study of the light fiction of John Buchan, Dornford Yates and "Sapper"; and a warning must be hastily passed on to readers who may be in like case. The vintage years for these books were the twenties and early thirties, and very many of their very many readers must still be in happy ignorance of the existence of much later works. Happy ignorance, because, even if there is a certain logic in the fact that after "Sapper's" death in 1937 the Bulldog Drummond saga was carried on by an author who had originally served as model for the character itself, it is downright distressing to learn that in Buchan's last novels Sandy Arbuthnot, thinly disguised as Lord Clanroyden, was a sedate adviser to Neville Chamberlain's government, and Archie Roylance an intellectual MP attending conferences at Geneva. And Yates's addicts will be shocked to hear that Boy Pleydell is now divorced from Adèle and married to none other than his little grey-eyed cousin Jill.

Nor are these the only changes. Things have got steadily worse for Dornford Yates's characters. White Ladies has been taken over by the Government, and the Pleydells have decided that the Pyrenees must henceforth be their front line. Things have got steadily better for Buchan's Hannay, Blenkiron, Lamancha, Arbuthnot and Roylance, but they are now all terribly tired; and they have got like that not by being chased across the moors by villains in the good old-fashioned way, but by mere hard work in committee. Drummond should be grateful that "Sapper" left him in full possession not only of his much raided Brook Street flat, but also of his fighting fitness.

West End clubs were the common factor in the lives of Buchan's conscientious public servants, Yates's country gentleman and "Sapper's" ex-service buccaners. Drummond's gang used their club most (its name varies from book to book, but it is in the south-west corner of St James's Square) Hannay had four clubs. The Pleydells and Jonah Mansell belonged to Brooks's. Mr Usborne records the painful fact that Boodle's and the Travellers each at one time admitted to membership a villain of the darkest dye.

However, he cannot be challenged when he points out that today the heroes of thrillers are less likely to be London clubmen; many of them, one might add, are positively unclubbable. A chapter in fictional society has closed. Mr Usborne seems to regret this closing as much as any of us. Class-conscious, insular, and mildly racist as they were, the clubmen compare well with the masochists and bedfellows who have so largely taken their place in popular fiction; their young readers were more likely to make fighter pilots than juvenile delinquents. Perhaps they deserve that epitaph.

Family Histories

THE ONSLOW FAMILY, 1528-1874.

By C. E. Vulliamy.
Chapman and Hall. 277 pages. 21s.

THE BRUDENELLS OF DEENE.

By Joan Wake.
Cassell. 516 pages. 21s.

HISTORIES of landed families, long regarded as the harmless products of snobbery or at best agreeable footnotes to national history, now enjoy a new importance. Historians are leaving the Public Record Office for the family muniment rooms. For in seeking to explain national politics in terms of social structure they have been led to attribute a decisive role to the landed gentry, and to frame hypotheses which can only be tested by the study of a sufficient number of case histories. Professor Neale for the sixteenth century and Sir Lewis Namier for the eighteenth have shown how parliamentary history can be rewritten from such case histories. For the seventeenth century the importance of the gentry is agreed, though the nature of their role is disputed. On one interpretation the Great Rebellion registered the political triumph of the rising gentry, whose strict attention to estate management had allowed them to prosper at the expense of a debt-ridden aristocracy and an impoverished Crown. Against this it has been argued that the Great Rebellion was the work above all of the declining gentry who, excluded from the prizes of office and patronage, subsisted on the meagre profits of land and adopted one or other of the ideologies of dissent, Puritanism or Catholicism.

Histories of families which can throw light on their changing fortunes, the sources of their wealth and power, the weight and nature of their local influence and their shifts of political allegiance are thus of particular value. Both the Onslows of Surrey and the Brudenells of Northamptonshire afford rich material. The fortunes of the Onslows were founded in the sixteenth century by Richard Onslow, who acquired lucrative legal offices and a Surrey heiress, and inaugurated the tradition of the Speakership in the family. Prudent business sense, careful fostering of political interest in Surrey and a succession of marriages with heiresses carried the Onslows successfully through the Civil War into the eighteenth-century security of a peerage and a Palladian house. Unfortunately, Mr Vulliamy, though he has had access to the family papers, has chosen to concentrate on those of the Onslows who "by virtue of rank, oddity or achievement were conspicuous"; is bored by those who were "much concerned with commercial enterprise and with methods of raising money"; and has set his characters against a tawdry and impressionistic backcloth of the social and political scene. His tone is by turns arch and arrogant, and in his quotations from the family papers he gives particular prominence to the spicy and the trivial.

Miss Wake, unlike Mr Vulliamy, has written the history of a family and has brought to it skill and scholarship en-

livened by a warm interest in personalities. The Brudenells, like the Onslows, owed their start to a lawyer and were well established in the Midlands by the end of the fourteenth century. Elizabeth's reign saw both the building of the great house at Deene and also the infection of the family with Catholic sympathies. Marriage into the neighbouring Tresham family of Gunpowder plot fame fixed the Brudenells as recusants for over a century. But, though burdened by debts, recusancy fines and outlay on a peerage bought from Charles I, the Brudenells' carefully managed resources carried them through to the Restoration and the reward of the earldom of Cardigan. Thereafter the family followed a duller and a safer course.

Miss Wake devotes the last third of her book to the seventh Earl of Cardigan, arrogant and obstinate, tried by his peers for duelling, execrated for years by radicals and reformers as an outrageous martinet in the army, but finally enjoying heroic status as the leader of the Charge of the Light Brigade.

Yet scholarly and enjoyable as Miss Wake's book is, she has made the personalities rather than the fortunes of the family her main theme; and it is to be regretted that she has not given us more than a few tantalising glimpses of the economic foundations and policies which served the Brudenells so well.

Marsupial Masterpiece

COORINNA.

By Erle Wilson.
Andre Deutsch. 160 pages. 8s. 6d.

THIS compact novel tells the story of a male marsupial wolf from birth to death; man appears, but only as a foil to "Coorinna"; even his mate plays a secondary part. The scene is laid in the Tasmanian uplands, lovely, wild, not yet wholly tamed.

Great novels about animals are few. Without wallowing either in superlatives or in a catalogue, one may fairly rank "Coorinna" with Jack London's "White Fang" and Henry Williamson's "Tarka the Otter" and above "The Red Deer" and "Bambi." It is better written than all but "Tarka" and more exciting than all but "White Fang"; and it is free from the sentimentality of "Bambi." Although C. G. D. Roberts wrote several short stories as good in their kind, he wrote nothing with the scope and sweep and substance of "Coorinna." Moreover, its author does not, like Rudyard Kipling, mix his animals with anthropomorphic fantasy.

Mr Erle Wilson combines two gifts seldom found in effective combination: a superb gift of narrative, taut and vivid and compelling; and a poet's apparently effortless skill in description. The fact that the setting will, to the majority of readers, seem strange and almost exotic, should not blind them to the immeasurably more important fact that here is a virtually timeless masterpiece, vehicled in language of rare power and beauty.

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The Elizabethan Stage

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By C. Walter Hodges.

Ernest Benn. 199 pages. 50s.

IN Elizabethan public playhouses the performance took place on a large platform, surrounded on three sides by an audience standing at ground level or sitting in raised galleries, and backed on the fourth side by a green-room or tiring-house from which the actors emerged through doors or curtains. The only well-authenticated contemporary sketch of a playhouse shows this and nothing else. In the printed plays, however, we frequently find the dramatist requiring that action take place "above" or "within," or that it be "discovered" by the drawing back of curtains. It has therefore long been conjectured that the portion of the tiring-house contiguous with the platform or outer stage took the form of a curtained alcove or inner stage, and that the corresponding section of the gallery immediately above was in fact an upper stage in regular use as a playing space.

Two factors have influenced the building up of this conjectural picture. The first is a more or less legitimate inference from what is known of those inn-yards in which the theatrical companies performed during the formative period in Elizabethan acting convention; for these galleried yards would have required no more than planks, trestles and a curtain to achieve outer, inner and upper stages. The second factor is a disposition to conceive the modern theatre as evolved from the Elizabethan, and therefore to seek in the Swan or the Globe some structural feature in which our own peep-show type of stage may have originated.

Mr Hodges, a co-designer of the Mermaid Theatre and a draughtsman of distinction, has written a well-informed and judicious essay; illustrated his argument with a series of brilliant and almost dangerously persuasive drawings designed to trace the development of the playhouse from its primitive form; and added for good measure an admirably chosen collection of some sixty plates, reproducing from contemporary sources a large body of pictorial evidence on Renaissance staging at large. It is an invaluable book, and the better for not attempting to be a decisive one. Mr Hodges accepts the existence of the inner stage, at least in some of the theatres, but finds it unnecessary to suppose that any important phase of action was sustained behind its curtain line.

This is a temperate conclusion, and a more thorough-going scepticism will stress one consideration of which Mr Hodges makes little. There is abundant evidence that what we have come to call the upper stage was commonly known as "the lords' room" and reserved for the wealthiest and most exalted section of the audience. The so-called de Witt sketch of the Swan, already mentioned, is innocent of any suggestion of an inner stage, and it shows the gallery above the

tiring-house quite clearly as occupied by spectators—whether lords or commons—and not by actors.

There seems, indeed, to be little plausibility in the suggestion that the most important members of the audience were accommodated in a gallery regularly used for playing, and commanding no view whatever of actions or discoveries "within." And Mr Hodges, by supposing at least the occasional use of a pavilion-like knock-up well forward of the line of the tiring-house, only makes this aspect of the matter more perplexed; the second of his reconstructions, indeed, actually shows somebody peering out of a "lords' room" so situated as to admit virtually no view of the outer stage itself. If—as Dr Leslie Hotson has recently argued—Shakespeare's theatre was always an arena, and if at the Globe the most expensive seats were situated directly above the "scene" or back-drop, it is still no doubt possible to conceive an "above" adjoining the "lords' room" and comfortably visible from it. But "within" presents a pretty problem. Speculation upon it is easy, but certainty will come only from further research.

Pieces of Hate

THURBER COUNTRY.

By James Thurber.

Hamish Hamilton. 238 pages. 12s. 6d.

PUBLISHERS sometimes cheat short story readers by serving a réchauffé dish garnished with a few fresh tit-bits. There is nothing unfair about this collection. None of the stories has appeared in book form before, and only those who see the *New Yorker* regularly are likely to recognise any of them.

The collection consists of twenty-five stories, extracts from correspondence files, bits of advice, reminiscences, pieces of hate, allegories, extravagances and knock-out blows to other people's pretensions. It has fewer drawings than usual. Dogs are scarce but the War between Men and Women still goes on. If a practical joker marries "a tapioca brain" and has to take strong measures to rid himself of her, the lady has a retort. Using one of Mr Thurber's inventions in a word-making game she can call him a "cussgravy"—a husband, he says, who complains of his wife's cooking in the presence of guests. Thurber's satire is always kindly and his strictures just. He does not attack the weak or the unhappy, and never goes too close to the bone as Dorothy Parker sometimes does. Perhaps one could wish that he would leave alone the vein of family reminiscence opened up by Clarence Day and overworked by others since he died. Surely the spate of eccentric aunts must soon subside.

The one thing a reviewer cannot say about this book is that it is a perfect Christmas present. No Thurber reader who buys it will be able to give it away.

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Thomas Arnold

DR ARNOLD OF RUGBY

By Norman Wymer.

Robert Hale. 200 pages. 21s.

IT is difficult to agree with the opinion of the publishers that this slender monograph "will assuredly be the definitive biography" of a man whom some have regarded as the greatest Englishman of the nineteenth century. True, a new biography was long overdue; since Stanley's "Life and Correspondence of Thomas Arnold" appeared in 1844, the results of Arnold's work have become apparent not only in the public schools, but in the whole field of secondary education, and it is time that a solid and comprehensive assessment of their importance was made. But Mr Wymer does not make it; nor, to judge by the brevity of his final chapter on Arnold's influence, does he wish to enter deeply into the matter. We have a brief list of Arnold-trained headmasters (inevitably inadequate, since Frederick Temple's brood receive no mention); we have the suggestion that the character of Forster's Education Act may have been influenced by Forster's marriage to Arnold's daughter; we have a description of those aims and methods of Arnold which have been so widely copied and miscopied. But of the national importance of what Arnold accomplished during his headmastership, when, as Hawkins had prophesied, he "changed the face of Education" in England, Mr Wymer has nothing new to say; and of the effect of Arnold's vigorous views on the relations of church and state, which profoundly influenced, among others, William Temple, nearly a century later, he has virtually nothing to say at all.

The book, to be sure, does contain some new material, from which the author attempts to picture Arnold the human being who has for so long been hidden—as perhaps to a large extent he was to his contemporaries—under the cloak of the "great stern prophet." Prophet he may have been, and unbending in the Christian principles which underlay all his work; but he appears in a different light in Mr Wymer's description of his morning round with a hair brush to beat his family out of bed, of his love of the country, of his humour, and of his very human pleasure in looking forward to retirement in the Lake District on an adequate income which his own care and thrift had assured. It is interesting, too, to have some account of Arnold's early life and family background. Though relatively unimportant, much of this new material might be entertaining if it were clothed in even tolerably accurate or attractive English. Unfortunately it is not, and purists will find themselves perpetually irritated. The best things in the book are undoubtedly the charming sketches by Jane Arnold.

A great man demands a great biography, and Mr Wymer's work is not of that calibre. The "definitive biography" of Thomas Arnold has yet to be written.

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HOLLIS & CARTER**Minute-Hand and Hour-Hand****HUMANITIES.**

By Desmond MacCarthy.

MacGibbon and Kee. 222 pages. 15s.

AFTER "Memories," "Humanities"; another miscellany of criticism literary and dramatic, of reminiscence, of political comment, and, delightfully but tantalisingly, of fiction. The whole volume, indeed, is as tantalising as were its predecessors. That essay, for instance, on "Shelley as a Religious Poet," prompted by Mr Herbert Read's retort to Mr T. S. Eliot's "The Use of Poetry and the Use of Criticism"; why did Sir Desmond never write a "Use of Poetry and Use of Criticism" himself? Why should that quite extraordinary power of sympathy and discrimination, subjectively complete understanding and objectively sure judgment, have been displayed merely in occasional pieces however excellent, book reviews and dramatic criticisms however penetrating? If "the long single book" as Lord David Cecil says in his Preface, "was not the right unit for Desmond MacCarthy's talent," what was it about that talent which proscribed a more highly organised unity than that of the spirit informing these collections? Not even those who know MacCarthy best seem to have the answer.

The unity of spirit is real enough. MacCarthy's sensibility was not one of those suspended lutes resounding, beautifully but passively, at a touch. It

was allied to a vigorous, masculine, and essentially moral power to place and evaluate the writers, playwrights, politicians and personalities on whom it was brought to bear. If MacCarthy was never censorious, if he felt, in the closing words of his essay on Vernon Lee, "an uneasy distrust and possibly downright contempt for that glowing and dangerous emotion—moral indignation," he could still be severe; witness the comment on Arnold Bennett's use of his unrivalled popular prestige as a critic. And a less explicit severity—towards obtuseness, silliness, insincerity, the dull eye of scorn—appears between the lines of many of his most light-hearted and kindly papers, delimiting the frontiers of that "ruthless charity" (in Lord David Cecil's words) which he appreciated in Tchekov and recognisably shared with him.

It is perhaps merely greedy to wish that MacCarthy had chosen a different and more capacious vehicle for his gifts. "The sensibility of your own generation," he writes in a typical comment on Professor Elton's "English Muse," "is only the tick of a minute-hand. If you set up to read the clock, you must watch the hour-hand as well." Though MacCarthy recorded, for choice, minutes and seconds, he never lost sight of that hour-hand. With the triumphant truth of perfect time-keeping, the parts add up to the whole.

Candid Correspondence

A BLESSED GIRL: *Memoirs of a Victorian Girlhood Chronicled in an Exchange of Letters, 1887-1896.*

By Lady Emily Lutyens.

Hart-Davis. 340 pages. 21s.

LADY EMILY LUTYENS is the daughter of that Earl of Lytton who was successively Viceroy of India and Ambassador in Paris. At the age of thirteen she started to write almost daily to a family friend, the Reverend Whitwell Elwin, nicknamed "The Rev," who was fifty-eight years her senior. Emily Lytton poured out to him all her troubles, anxieties, fears and her thoughts on religion. He called her his "Blessed Girl"; hence the title of this book.

These letters of an adolescent girl are remarkable for their clear-sighted and savage candour. One has read many polite books of family letters where everyone appears to have been so very nice, or whose defects are only hinted at. Lady Emily tells us how bored she was when her father read aloud his long narrative poems in the evening, and of her occasional strong disagreements with her brothers and sisters.

With her mother she is nearly always at odds. Poor Lady Lytton—money was scarce, and she lived much in the past, regretting the days when she was Vicereine and Ambassadors. These vain regrets for lost importance filled her daughter with impatience. The reader cannot help feeling sorry for any mother who was forced to live with a girl as angular and as highly intelligent as Lady Emily.

"The Rev's" letters were remarkable for good sense and good counsel. He encouraged his young correspondent to enjoy meeting people, reminding her that unless she conquered her shyness she would never meet any man whom she would care to marry. She agreed with this while pouring scorn on society. Cousins she especially disliked. Next to them she hated the smart intellectual society of the day, with its highly sophisticated pencil and paper games which reduced her to helpless misery.

Her friendship triumphantly survived an incident which could have strained it to breaking point. She fell in love with Wilfred Blunt, father of Judith Blunt, her greatest friend. He was handsome, wore Arab dress and bred Arab horses at Crabbet Park. She soon realised that his intentions were dishonourable; but his charm for her was potent, and for three years she was in love with him, repelling with difficulty his ardent advances. She concealed nothing from "The Rev," who, with a complete lack of Victorian prudery but with a sobering realism, showed her the ruin and disgrace as well as the moral decline she would undergo if she yielded to Wilfred Blunt's seductions.

This correspondence has real value and it shows that December can teach April many useful lessons. It gives no clear picture of the life of the period, but it tells vividly of the emotions of the human heart. It should be read by all those who value unusual honesty and unconventional writing.

Learning to Fly**A HISTORY OF FLYING.**

By C. H. Gibbs-Smith.

Batsford. 304 pages. 21s.

THE history of flying is older than the aeroplane; it stretches back over centuries and its origins are lost in legend. Kites were being used by the Chinese in 1000 BC, and an enterprising Chinese contemporary of Leonardo went up in smoke riding a kite powered by 47 rockets lit by 47 coolies. The curious history of the pre-aeroplane age, with its bird-drawn chariots, its kites and tower-jumpers, flapping-wing machines and balloons, occupies the greater part of Mr Gibbs-Smith's book, and it does not need any knowledge of aerodynamics or engineering to find it immensely enjoyable.

A nagging conviction has pursued philosophers and scientists through every generation that men could travel as easily in the air as on the water, if the formula could only be discovered. A great deal of energy was wasted in attempting to reproduce bird flight without understanding that the feathers on the wing tip operate in the same way as an air screw, a fact not known until high-speed photography showed it to be so. From Daedalus onwards, men have tried and failed to fly with movable wings, but in the 1670s a Jesuit priest put forward the first rational proposal for an airship, a dual-purpose sailing or flying vessel to be raised into the air by four 20-foot diameter copper spheres evacuated to make them lighter than the surrounding atmosphere. Provision was made for ballasting the ship, and for letting air gradually into the spheres to control its descent. The inventor saw clearly the military possibilities: "Houses, fortresses and cities could thus be

destroyed (by iron weights or fire balls), with the certainty that the airship would come to no harm as the missiles could be thrown from a great height." Just over a hundred years later, in 1783, the first gas balloon went up; and, a century and a half after that, aerial bombing techniques were reaching a high degree of perfection. After the balloons came the air-ships, the gliders, and eventually, in 1903, true powered flight.

After such centuries of endeavour, what follows reads as something of an anticlimax. Mr Gibbs-Smith has chosen to compress development since the end of the first world war into a single chapter, with the result that much of it becomes unintelligible to the ordinary reader. Having browsed through the intricacies of ballooning (or autostation) and primitive helicopter design, with a side-glance at seventeenth-century science fiction, he is jet-propelled through the last thirty years and is hard put to it to do more than grasp the sequence that has led from the Wright brothers' precarious contraption on skids to the Comet and the guided missile. If events in the last few years are too fresh to make history, Mr Gibbs-Smith succeeds, for all his gentle humour at their expense, in showing that his early pioneers have handed down a long and immensely courageous tradition to today's airmen.

At the back of the book is a table of notable dates, beginning with the death of King Bladud of Britain while attempting to fly in 852 BC and ending with the establishment of a new altitude record of 63,668 feet this summer by a Canberra bomber. This is itself invaluable—and the illustrations of early contraptions are charming.

Tremors Under the Ice-Cap**CHANGING GREENLAND.**

By Geoffrey Williamson.

Sidgwick and Jackson. 280 pages. 18s.

COPENHAGEN humorists have sometimes thought fit to describe Greenland as Denmark's white elephant. That, indeed, has for centuries been a more accurate label than the misleading name given to Greenland—if tradition is reliable—by Eric the Red as part of his tenth-century scheme to encourage his fellow Icelanders to settle the then empty land. An Arctic island as large as western Europe, almost wholly covered by the dead and desolate ice-cap, and even today supporting a permanent population of only 22,000, Greenland has seemed to many Danes an unnecessary incubus. The original Viking settlements foundered after four centuries of struggle against the elements. It is uncertain whether their final extinction was caused by pestilence or by Eskimos driving down from the north, but for three hundred years Greenland sank back into oblivion. Then, in 1721, Hans Egede, a pastor inspired by extraordinary missionary zeal, led the first party of settlers from whom modern Greenland may be said to stem.

Today, although the settlements are

still lonely specks in the vast solitudes, and the eastern coasts still largely shut off from the world by the drifting ice, Greenland is developing faster than ever before. Cryolite and coal mining, shrimp canning, and even sheep farming in the south have become established activities. Nature itself has worked a quiet revolution. In the nineteen-twenties the seals on which Greenland's whole economy had been based began to vanish northwards; mercifully, their place was taken by cod and other fish, and the Greenlanders were successfully guided by their Danish mentors into a new way of life in which the motorboat played a greater part than the kayak. Since 1939, moreover, the new airfields built by the Americans have begun to transform one of the remotest corners of the world into a staging post which may have an important place in the future development of civil as well as military aviation. Mr Williamson's book is a welcome and up-to-the-minute introduction to Greenland old and new. Although he gives some of his information in rather uncritical and undigested gobbets, he has brought together all the essential facts about the country and its explorers, the people and their economy.

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Winter Queen

THE LETTERS OF ELIZABETH QUEEN OF BOHEMIA.

Compiled by L. M. Baker. With an introduction by C. V. Wedgwood. *The Bodley Head*. 361 pages. 30s.

THIS collection of the letters of Elizabeth of Bohemia, daughter of James I, supplies a definite want. Both Mrs Everett Green and Miss Carola Oman, in their lives of the queen, drew upon her immense correspondence, but the letters are scattered in the great collection of state papers in the Public Record Office in London and also in foreign and private archives. It was highly desirable that they should be thus collected. With the aid of Miss Wedgwood's introduction and the brief historical summaries of events interleaved at intervals in the correspondence, the ordinary reader, interested in Elizabeth and in general seventeenth century history, can pick his way with adequate understanding. The scholar may well wish that more detailed attribution of each letter to its source could have been supplied; he has to be content with a summary of sources in Appendix III. He may also wish that such a correspondence, ranging over so much of European and English history, should have been edited. To those not familiar with the political scene, many allusions to persons and events will convey little.

But for the general reader the book does much. Here we have Elizabeth herself, gay, indomitable and realist to the end. Her brief reign in Bohemia, her flight to The Hague, widowhood with ten children after 1632, and forty years of exile, living on the cold charity of the United Provinces and scanty pensions from England, could not break her spirit. Her letters make good reading. With her pen she maintained long and deep friendships. Her correspondence with Sir Thomas Roe (why printed Rowe here?) shows not only her affection for "Honest Thom" but the tangled thread of the futile diplomacy of Charles I, negotiations which Elizabeth had little faith in. For herself, having lived much among war as she tells Archbishop Laud, she does not fear to use it. The same realism is evident in her letters to the Parliament of England in the Civil War. At heart she is for the King, but she has shrewd misgivings about letting Rupert and Maurice enter his army. For herself, short of money, and supplies from Charles I failing, she must in sheer necessity write civilly to Parliament for assistance, and take care that her letters contain nothing risky in case of interception. Her letters to Montrose, her hopes for the Restoration show that her sympathies were with the King; the equivocal attitude of her son Charles Louis troubled her.

Her letters show that her greatest affections were for her husband and her daughter Henrietta. With Louise and Edward who became Roman Catholics, she lost sympathy; and Maurice and Frederick Henry she lost by drowning.

Expanding Mind

MY HOST THE WORLD.

By George Santayana.

Cresset Press. 192 pages. 15s.

IT is strongly to be recommended that the Epilogue of this book should be read as a Preface, so that its mature wisdom may provide a talisman against the desultory gossip of the earlier chapters; otherwise exasperation may prove stronger than perseverance. This would be a pity, for in the end we do glimpse that "soul of a Spanish grandee grafted upon the stock of the gentle Emerson," and share the graceful philosophy of an expanding mind capable of absorbing the complementary qualities of varying beliefs.

Autobiography is inevitably egotistical and discursive. The author must impress upon his readers those facets of his personality he believes to be representative, and to this end he indulges his penchant for observation, description, introspection and criticism. Santayana's descriptions are delightful and fulfil his own high standard that the traveller should be "an artist recomposing what he sees so that it may be transmitted as a corrected view of truth." His introspection is ruthless, but not humble. It reveals the melancholy of the *deraciné*, compensated by the deliberate aloofness of spirit of one who resists "human contagion" and grants his fellows the same immunity. It is a little disappointing to find that a spirit so detached from the petty turmoil of life, so proof against worldly triumph and disaster, should harp to the verge of indignity on the rights and wrongs of the decline of his various friendships. He describes himself as "episodical in friendship, Platonising in love" and claims that he cared only for the *numen* in things or persons on whom he bestowed his variable attention. It is odd, therefore, that his probing of private lives often oversteps the bounds of loyalty and discretion, and leaves a cumulative impression of the weaknesses and failings of the people who at one time or another opened their homes to this temporary guest in the busy and animated establishment of the world.

Santayana considers that the contemporary malady lies in a renunciation of the search of self-knowledge, and the acceptance of an arbitrarily imposed anthropomorphic picture of the universe given out for scientific truth. The result is the misrepresentation of the capacities and place of mankind in the scheme of things. A protelariat, he says, is a modern disaster precipitated by industrialism, and the instinct of every member of it should be to win back to a human condition in which a man's true interests may have play. But he views the future with faith. Nature, he avers, will not be diverted from its wider processes at the bid of human rhetoric. All fanaticism burns itself out, and what survives becomes humanised, and

the failure of over-exact hopes and overwhelming ambitions will not prevent spirit from continually turning the passing virtues and sorrows of nature into glimpses of eternal truth.

The Singular Being

BOSWELL ON THE GRAND TOUR.

Germany and Switzerland, 1764.

Edited by Frederick Pottle.

Heinemann. 353 pages. 25s.

IN this fourth volume of Boswell's private papers the young Scottish laird is seen doing the rounds of the German courts. Assuming alike the titles of philosopher and baron he disputes with priests and solicits the friendship of princes. At the end of a year of trying to make a good impression he is astounded at his own virtuosity:

What a singular being do I find myself! Let this journal show what variety my mind is capable of. But am I not well received everywhere? Am I not particularly taken notice of by men of the most distinguished genius? And why? I have neither profound knowledge, strong judgment nor constant gaiety. But I have a noble soul which still shines forth, a certain degree of knowledge, a multiplicity of ideas of all kinds, and original humour and turn of expression, and, I really believe, a remarkable knowledge of human nature.

He does not appeal to the journal in vain. Here he is to be found discussing his favourite topics—melancholia and free will—and picking up hints on how to lord it over the peasants of Auchinleck. He lectures Voltaire on the immortality of the soul (and, when the great man faints, politely waits until he has recovered and then goes on talking) and confides in Rousseau his leanings towards despotism. His one rebuff is at Potsdam: even his appearance on the Prussian parade ground wearing a Scottish bonnet does not secure him an interview with Frederick the Great. All the time he is thinking of new ways of putting off the evil day when he will

have to earn his living at the Bar, and is consciously attempting to mould his character—with enough gravity for an intellectual and enough dissipation for a gentleman.

There are people, Professor Pottle says in his introduction, who cannot abide Boswell. Such people will not be mollified by this volume, but should try instead to keep a journal that records their feelings, aspirations and behaviour with the same degree of candour and self-criticism. Boswell indeed kept the journal as a form of self-discipline, just as he wrote ten lines of appalling doggerel every day, hardened himself by travelling cheaply in the greatest discomfort, and bound himself by solemn oath "neither to talk as an infidel nor to enjoy a woman before seeing Rousseau."

His five interviews with Rousseau form the centre-piece of this volume. But strangely enough Boswell never worked over his notes; so, entertaining as they are, they are not so completely satisfying as the conversations in the *Life of Johnson*.

Professor Pottle is an admirable editor. He combines gaiety and erudition in exactly the right proportions. Above all, the plan of publication adopted by Yale University frees him from having to make the usual compromises between readability and scholarship. In this edition he freely adapts the text, interleaving with the journal interesting extracts from letters and memoranda, and so produces a book instead of a document, secure in the knowledge that his pure scholarship will be magnificently displayed when the research edition of Boswell's papers appears in all its thirty volumes.

Critic as Guide

THE FRENCH THEATRE OF TODAY:

An English View.

By Harold Hobson.

Harrap. 232 pages. 12s. 6d.

MOST modern French plays remain something of a mystery to the English, a queer and tantalising flavour on the tongue, full of unidentified ingredients. Mr Hobson, dramatic critic of the *Sunday Times*, has made a successful attempt to bring them within comprehending distance. It is not often that man can remain so uncompromisingly English and yet understand the French. The English reader will instinctively feel that Mr Hobson's judgments are his own only infinitely better informed; that he knows his way about the complicated society of the French theatre without losing his English sense of values. A Frenchman might find some of his conclusions surprising, but the book does in fact succeed admirably in doing what Mr Hobson intended—that is to give an English view of the French theatre.

And what a fascinating picture it is. The French theatre plays so much more important a part in national life than does the English that it deserves study on this account alone. The chapter dealing with the effects of the German occupation on the French theatre is

especially interesting. Under cover of apparently harmless themes from classical drama, the theatre became a focal point of resistance, which the German censorship was usually too slow-witted to perceive. Through such plays as Claudel's *Soulier de Satin* and Sartre's *Les Mouches* the French public conspired with its playwrights, and the theatre became the spokesman of the anguishes and hopes of the French people. In this grim atmosphere it prepared itself for the ascendancy which was to follow.

Mr Hobson devotes a large portion of his book to Sartre, Montherlant, Salacrou and Anouilh, but he also covers all the principal living French dramatists and the half dozen leading actors and producers. The result is an extraordinarily illuminating and exciting picture of French dramatic life. At the very least the next Sartre or Cocteau performance on the Third Programme will seem infinitely more comprehensible. But the book does more than this. It should stimulate the hesitant and bewildered to hear French plays more intelligently and enjoyably and to taste some of the excitements of French theatrical life. The French theatre is to be taken as the French take it themselves—spiced by wit.

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Fantastic State

THE HILL OF DEVI.

By E. M. Forster.

Edward Arnold. 176 pages. 15s.

IN 1912 Mr E. M. Forster spent Christmas with the Maharaja of Dewas (Senior Branch). In 1921 he passed six months as acting private secretary to the Maharaja. On the basis of these two visits and of many years of interest in the Maharaja and correspondence with him he has produced a delightful memoir of one of the more fantastic of the late Indian States. Dewas deserved a book. Where else has a ruling family divided its kingdom between senior and junior branches with such tangled justice that even the streets of the capital were under different administrations for water and lighting? Two headmasters disputed the control of education. Two armies provided prestige and band music for their respective commanders. Mr Forster is not content, however, to record only the farce. For him these visits to Dewas were "The great opportunity of my life." Away from the stultifying influence of British officialdom he felt that his profound anxiety to understand Indians in their natural environment might be satisfied. Amused by the absurdities, exasperated by the inefficiency, he was always brushing these aside in search of the true spirituality which he was convinced lay behind.

Mr Forster has chosen to base his book largely on the letters which he wrote from Dewas during his visits as a young man. These have the advantage of freshness. They reflect the enthusiasm of a generous nature brought into close contact with a land, a people and a ruler whom he loved; but they do not convincingly do more than describe the lighter and picturesque side of Dewas Senior. Unfortunately Mr Forster seems to have had more serious intentions in drawing the character of the Maharaja of Dewas (S.B.). The young ruler is described as "certainly a genius and possibly a saint and he had to be a king." But he does not really emerge from these pages as big enough to fill a star part. Attractive, affectionate, gay and sometimes thoughtful he certainly was, but the letters fail to give any substantial evidence of genius of any kind. What these letters do witness successfully is the affectionate sympathy of one young man for the good qualities and wasted talents of another.

This book is of special interest to all who in the twenties and thirties took "A Passage to India" as their guide through the tortuous ethical problems of India under the British Raj. Mr Forster's letters reflect the same anxieties and convictions which, successfully transmitted through his novel, helped to create in the British public at home a sense of guilt over the conduct and very existence of the Raj. One may wonder now whether Dewas Senior Branch was the best centre for appreciating the work or character of British officials and their wives in India—one thing which particularly recommended the State to the author was that "there was not another

European within a radius of twenty miles." For the Indian side of the picture, however, Dewas was rich in material. Within the limitations imposed by ignorance of the language and inexperience of the country Mr Forster absorbed information and impressions which certainly influenced the later novel. The Maharaja himself had some of the qualities of Dr Ayiz, especially his susceptibility to affection. "It is only for the sake of those that love us that we do things," he writes. The response of Mr Forster's affection is unfailing.

Small Town America

ALWAYS THE YOUNG STRANGERS.

By Carl Sandburg.

Jonathan Cape. 445 pages. 25s.

THIS is both a childhood autobiography of Carl Sandburg, the Grand Old Man of American literature, whose four-volume "Abraham Lincoln: The War Years" is his best known work although his poems will probably have a longer life, and a history of Galesburg, a prairie town in Illinois, from 1878 to 1900.

Sandburg's father, a Swedish immigrant, was a stern, puritanic man whose greatest ambition was to be "a good provider" for his family. He worked ten hours a day for \$35 a month in the blacksmith's shop of the Chicago, Burlington and Quincy railroad, but it never occurred to him to complain. His passive acquiescence is of interest because it explains in part the slow growth of the American labour unions. Carl's mother was a more human and lovable character, and her final "Souvenir," in which she summed up the meaning of her life, is the most beautiful thing in this book.

Most of the pages are filled with small recollections: the wash days and the baking days; the pump which froze during the winter months; the father's brief service as a juror; the long sermons in the Swedish Lutheran church; the Sundays when the Kranses came to lunch. Three points concerning Carl's schooldays are of importance. With one exception all his teachers were women. It has been suggested with considerable force that this explains the strong feminine influence on American men, because in their formative years they naturally accepted the teacher as their guide. Secondly, most of the books which were read in school, such as "The Boys of '76," glorified the pioneer life with its emphasis on adventure and individualism. Today the United States is no longer a pioneer country, but the ideals of that period are still persuasive. Thirdly, the books read out of school, especially the popular paper biographies, emphasised the virtue of success. The Reverend T. DeWitt Talmage was particularly noteworthy because he was said to earn \$75,000 a year.

Carl began work in the best American tradition by sweeping out the rooms of a real estate office in the early morning and delivering newspapers in the evening. His first full-time post, when he

was 14, was as a bootblack in the Union Hotel barber's shop. He held a number of different jobs until at the age of eighteen he decided to become a hobo. For some months he "rode the freight trains," and had some picaresque adventures. Finally he returned to Galesburg in time to enlist for the Spanish-American war. He saw service in Porto Rico, and, although no enemy shots were fired at him, he faced death from disease and poisoned food. After he was mustered out of the army he decided to attend Lombard University in Galesburg on a free scholarship, and it is here that his story ends.

To an English reader part of this book will be dull and some of the pages incomprehensible, but to Americans of Sandburg's generation it will bring back a vivid picture of a period that has gone for ever. The description of the old Auditorium Theatre where Carl saw minstrel shows, *Uncle Tom's Cabin* and *East Lynne*, and the chapter in which he records "kid talk—folk talk" are a fine "small-town" America. The graphics of the "pioneers and olders" are delightful. Particularly useful is the one of the newspaper for Gersh Martin, who "died in 1894 sixty-six years of age, his life given liberty, free speech, printer's ink, and d liquor."

English City

STONES COULD SPEAK.

R. H. Mottram.

Usenum Press. 232 pages. 16s.

THE sentiment expressed in the title of this book is hackneyed enough. The same it was a good idea to tell story of an English city through development and history of its streets. In choosing to write of his native city, Norwich, in this way, Mr Mottram has been able to draw on a great deal of splendid material, and he has the most of it. He begins with the Saxon raiders who sailed up the river from the North Sea first tied down; and he ends with the housing estates which since 1919 have gradually encircled the city. He has combed the local records in order to paint a vivid and imaginative picture of what went on during the intervening centuries—to describe, for instance, the thankless task of the thirteenth century clerks who did their best to preserve and collect the taxes, or to trace the fascinating history of the "Great Hospital" or the varying fortunes of the Assembly House.

Mr Mottram does not omit to place the story in the wider context of the social, economic and political history of the country. But here he is less happy; tenness and superficiality too often pervene. The major drawback to the book, however, is that although there are some pleasant illustrations, there is not a single map or street plan. Since the author frequently discusses in detail the topography and lay-out of the city at different periods, this is a serious staple to enjoyment. And Mr Mottram's prose is too often undisciplined, involved and repetitive.

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Before the Prospector

THE WIND AND THE CARIBOU.
By Erik Munsterhjelm.
Allen and Unwin. 234 pages. 12s. 6d.

ITS title is the most pretentious thing about this tale of trapping in the remote north of Saskatchewan. It is a life in which a visit by a couple of other trappers, European or Indian, may be the only social event for months; in which the dogs of a trapper's team are more important to him, and more his companions, than any man. It is a life of perils and hardship, in pawn to an erratic Nature. "Nobody," runs the proverb of the Chipewyan Indians, "knows the way of the wind and the caribou." The migrating herds of caribou may pass through a district year after year, and in the few days they are there the trapper can kill meat for himself and his dogs for months. But in some years the precious days are missing; the caribou may not come that way at all; and the trapper has perhaps portaged his canoe and equipment past scores of miles of rapids only to find himself without a sound basis for winter life in the bush. Mr Munsterhjelm, however, was fortunate in many things, and he is able to make the trapping and hunting of mink and fox, of beaver and bear and wolf, a fascinating story without any falsely dramatic note.

Simplicity, realism and common sense are, indeed, the book's rare qualities. Mr Munsterhjelm writes with a master's flexibility, and conveys the essence of a

scene or a character, a situation or a feeling, with an impressive economy of words. The Precambrian north, with its hard rock and brown muskeg, its rapids and frozen lakes, is an old land, vast and very scornful of man. Mr Munsterhjelm will gladden the few who know its fascination, and will make others understand something of it.

His subject is the country he knew in the thirties, before the prospector had become as important there as the trapper. Now the barren lands and their fringes can be dotted, as Yellowknife and others have shown, with isolated mining towns, tiny islands of modern conveniences. But such development the book resolutely ignores. "A gold-rush that had started further west on the lake . . ." is mentioned merely in passing: but surely it was the rush that in the intervening twenty years built Goldfields, subsidised, and by last winter had left the shell of a mine and the ghost of a deserted town, from which many buildings have been moved over the ice to the centre of the new and greater rush that now dominates the district—uranium. It is a pity that Mr Munsterhjelm offers no old-timer's comment on such changes in the life of the north. It is also a pity that his book contains only one poor map, whose small scale does not conceal the misplacing and mis-spelling of Stony Rapids, the delightful village that is the trappers' centre for Mr Munsterhjelm's territory. Such blemishes are, however, too few to mar an outstanding book.

Magic in Burma

INTO HIDDEN BURMA: AN AUTOBIOGRAPHY.
By Maurice Collis.
Faber. 268 pages. 18s.

AS his numerous devotees know well, Mr Maurice Collis was for many years a conscientious, but never a contented, civil servant in Burma. In this new instalment of his autobiography, the rift between his official function and his private inclination is nowhere more delightfully revealed than in his account of a minor case in his magistrate's court in Rangoon. A Burmese suspected of petty theft met the charge that he had no ostensible means of livelihood with the reply that

he acted as acolyte to the priest-medium of the U-yin-gyi Nat (the Great Garden Deity). As the reader may suppose, this statement, though it caused the prosecuting police officer to smile sardonically, pleased me very much. . . .

The truth was that the then senior magistrate of Rangoon had for a decade been enamoured of the fast disappearing world of "the old Burma, with its nature gods, its magic, and its visionary sense of coming events." This world first closed round the unresisting Mr Collis when he arrived on Ramree island in 1920, to learn how one of his predecessors as deputy commissioner had been pulled under by a sea god. Here, the abbot of Taungyin firmly took his fate in hand with a series of astrological predictions which accurately outlined the course of his official career for over

ten years. Here, too, a visit to neighbouring Cheduba brought Mr Collis his first dramatic experience of the magic of rural Burma in the shape of a scented hill.

Cheduba, with its betel gardens, its tamarinds and toddy palms, and its gentle, hospitable people, remained the Arcadia that Mr Collis remembers for many years; but the Kyaukpyu he loved has been obliterated by war. Strangely, one of the visions that he saw in the Burmese fairyland—and the only one of an occidental character—was a battle fleet in Kyaukpyu harbour. Mr Collis ascribes this vision to his enthusiasm for the idea of a new naval base in those sheltered waters; but when the battle-ships came to Ramree twenty-four years later, it was not to ride at anchor but to pour shells into Japanese fortifications.

This chronicle of sixteen years' service (1918-34) is not by any means the straightforward story of a romantic "pro-Burman" progressively parting company with a less sympathetic official hierarchy. Mr Collis was reluctant to return to Burma at all in 1918; he wanted to write and to live a writer's life in the West, and in later years it was still with reluctance that he ended each period of leave spent in the literary worlds of London, Paris and Dublin. Although he understood the political aspirations of educated Burmese, his heart was not with them but with the ghost-ridden villagers, always looking for a saviour king.

Lyrical Poet

LEOPARDI: A Study in Solitude.
By Iris Origo.
Hamish Hamilton. 305 pages. 21s.

WHILE Byron and Shelley were cantering along the beaches of the Venetian lagoons, a poet and man of letters of their own spiritual and social level, only twenty years old, but close upon attaining his full powers, was crying out for companionship in Recanati, a few score miles down the same Adriatic coast. What rich spiritual exchanges there might have been had the great lyric poet of re-awakening Italy been heard of and sought out by the English geniuses. Yet the meeting might have been no more fruitful than Giacomo Leopardi's inhibited approach to his compatriot Manzoni, when a noisy third party did all the talking. Although Leopardi, just like the English poets, had a tremendous parent problem on his heart (in some ways his relations with his notable father, Count Monaldo Leopardi, resembled those of Shelley with Sir Timothy), he might have been quite unable to find common ground with the two freely roaming and spending milords.

Count Monaldo Leopardi was a nobleman of the old style. His children were expected and compelled to live according to the code fixed for a *figlio di famiglia* until they had won the right to independence by an approved employment or an approved marriage. Being a *figlio di famiglia* meant having all needs (clothing, books, and so on) provided on direct application to the head of the family; never going out of doors unattended by a watchful servant; and never seeing the sight of money. The Leopardi household kept four chaplains to teach the young, and the biggest establishment in the town. Count Monaldo had built himself a fine library in the old style, rich in all classical and approved literature. From the age of fourteen the firstborn, Giacomo, was simply left to browse in this vast field of vellum. At twenty he had become one of the foremost classical scholars of Italy (the great Niebuhr, two or three years later, said the only one of true brilliance): he had also irremediably lost his early robust health and physical prowess, suffering a curvature of the spine which made him the butt of the town as a "hunchback." His major consolation before death in his fortieth year was a highly emotional friendship with a voluble and volatile Neapolitan noble youth, who in old age wrote ungracious memoirs of the association.

Meanwhile Giacomo Leopardi had become not only a great, but, somewhat accidentally, a famous poet. The Marchesa Origo, to whom both England and Italy are mother countries, has now reissued her excellent account of Leopardi's life in a greatly enlarged edition. In it, she embeds much sensitive critical appreciation of the poet, seven or eight of whose stately, simple, hauntingly measured poetical medita-

tions make up (together with Foscolo's few odes and one or two of Manzoni) the great lyrical production of nineteenth century Italy. The world is, in these poems, held up, as it were, in a cool, moonlight, desolate, yet charming stillness. The brief lines "To the Infinite," written from behind a hedge at Recanati, are among the most magical in European literature.

Yet Leopardi's contemporary fame as a poet came, to his father's horror, from the resonance won by some rhetorical verses calling on the Italians to emulate the military glory of their Roman ancestors. 'This was the way to win renown in the incipient Risorgimento. But Giacomo Leopardi seems in fact to have regarded the political stirrings of his times with indifference or distaste, even if not with his father's pious abhorrence.

Cars and Motoring

MOTORING CAVALCADE.
By W. J. Bentley.
Odhams. 144 pages. 16s.

THIS is a pleasant, gossipy book about cars and motoring, and it is not Mr Bentley's fault that it concentrates almost wholly on the early days, for modern cars and their drivers provide him with precious little material. There are too many of them about, and they have too few distinguishing marks to make any one of them stand out as an object of interest. Most of the material has been drawn from memoirs and letters and even contemporary novels. Little of it, therefore, is new; but the book gains rather than loses from allowing these pioneers to speak for themselves. Mr Bentley, who was himself one of the early motorists and has driven many of the cars about which he writes, has recaptured much of the genuine fun that used to go with motoring. To a generation that has known only the crowded roads, the peevish driving manners and the dreadful carnage that make motoring today such a grim business, this does a great deal to explain the previously inexplicable nostalgia of older drivers for a time when cars were notably less reliable than they are today.

What lifts Mr Bentley's book out of the class of run-of-the-mill motoring memoirs is a series of thumbnail histories of the leading manufacturers and their products in Britain, America and Europe. These histories are carried right up to the present time, to the revival of the Spanish Hispano-Suiza interests and the appearance of the Pegaso (shown in Britain for the first time at this year's Motor Show) as inheritor of the Hispano tradition; to the Jeep and automatic transmission; and to the rapid postwar advance of the Jaguar company in Britain. The only regret is that Mr Bentley has not shown so much interest in the structure of these companies and especially their more recent amalgamations as he has in their products.

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Surveyors of Works

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By James Lees-Milne.
Batsford. 242 pages. 42s.

SIR CHRISTOPHER WREN.

By John Summerson.
Collins. 159 pages. 8s. 6d.

"A RARE thing, which see"—so John Aubrey, with his usual succinctness, described the Banqueting House in Whitehall, one of the few buildings designed by Inigo Jones that survive. It is not surprising that the Surveyor of Works to James I and Charles I should have designed so little. As Mr Lees-Milne points out, the Crown had then little funds for spending on public buildings, and Inigo Jones's surveyorship coincided also with a lull in the building both of churches and of great houses for the nobility. The beautifully restored Queen's House at Greenwich, the Queen's Chapel at Marlborough House and part of Wilton House are Jones's best monuments now that the Banqueting House has lost its splendour.

Yet Inigo Jones's influence was far greater than would have been expected from his actual achievements. Mr Lees-Milne describes and documents the buildings of Jones's pupils, followers, and contemporaries, including John Webb, who completed the Queen's House, and George Pratt, who, possibly with the help of the aged Jones, built Coleshill House, whose recent destruction by fire was a national tragedy. The

interesting thing about Jones's followers is that they did not adhere strictly to the Italian style favoured by Jones, but succeeded in imparting something essentially English to their building, which gives such a special flavour to the architecture of the late seventeenth and early eighteenth centuries. The pure Palladianism that Inigo Jones strove for did not come till later.

Between Jones, the founder of the Palladian tradition, and the Palladian movement itself, came Sir Christopher Wren. Mr Summerson's book has little in common, apart from its subject, with Mr Lees-Milne's, which, like other Batsford productions, has beautiful illustrations and is a delight to have and to hold. "Sir Christopher Wren" is written for Collins's series of "Brief Lives." It is consequently concerned with Wren the whole man as much as with Wren the architect. Although at times a little "Third Programme" in manner, his book gives a masterly description of the genius of Wren, which had flowered in so many directions—astronomy, mathematics, anatomy and physiology—before he became Surveyor of Works to Charles II and designed St. Paul's. To quote again from John Aubrey's own, unique, series of "Brief Lives," Wren was "a youth of a prodigious inventive wit." Mr Summerson shows how that "wit" typified the expanding, inquiring experimental intellectual climate of the seventeenth century.

Essays Without Substance

AN ELIZABETHAN GARLAND.

By A. L. Rowse.
Macmillan. 162 pages. 15s.

"THE truth," Mr Rowse remarked in his book, "The England of Elizabeth," "is often neither exciting nor amusing, and to arrive at it one needs endless patience and, above all, an essential justice of mind." And in that remarkably impressive study of Elizabethan society Mr Rowse's excitable imagination and vigorous sympathies were successfully controlled by the qualities of patience and justice. The present volume of essays suggests that patience and justice do not come naturally to Mr Rowse, that he has felt the need to work off his exuberance before returning to the second volume of his study of the Elizabethan age.

The substance of these essays is slight. One group deals with Elizabethan topics. Another group shows Mr Rowse still as the historian but in a more playful mood, collecting gossip about coronations, setting down some notes for a guide book to the royal palaces, and being tempted by the seductive quality of Mrs Hawkes's prose to turn archaeologist. Lastly there is Mr Rowse on the contemporary scene, finding the American people nicer and their political habits nastier than he had expected, reviewing Sir Winston Churchill's third volume and speculating on the prospects of a new Elizabethan age.

Why should Mr Rowse present so

many easy targets to his critics? He can be horribly banal, and he can indulge in the worst schoolboy humour, as in his parenthetical remark on the Long Parliament: "that celebrated body should be called the Long-Faced or the Long-Nosed Parliament." Even his prejudices do not seem to be settled. "Must we always," he asks, "find the weak and the feckless, the foolish and the failed, appealing?" Yet he was much moved by the spectacle of American men "who, in a world where women are so much on top, have something of the appealing qualities of an oppressed class." And are we to look down on or up to the Victorians? Mr Rowse detests, he tells us, their incessant, grinding concern with morals, yet, when he tires of belabouring contemporary writers, he turns with relief and admiration to these same Victorians.

All this is puzzling. Perhaps Mr Rowse remembers Hobbes's apology for his translation of the *Iliad* and the *Odyssey*: "Why did I write it? Because I had nothing else to do. Why publish it? Because I thought it might take off my adversaries from showing their folly upon my more serious writings." For Mr Rowse is engaged upon more serious writings; and now that he has relieved his feelings or, on the more charitable hypothesis, drawn off his adversaries, it is to be hoped that he will again cultivate the patience and justice of mind which his scholarship can show and his exuberance needs.



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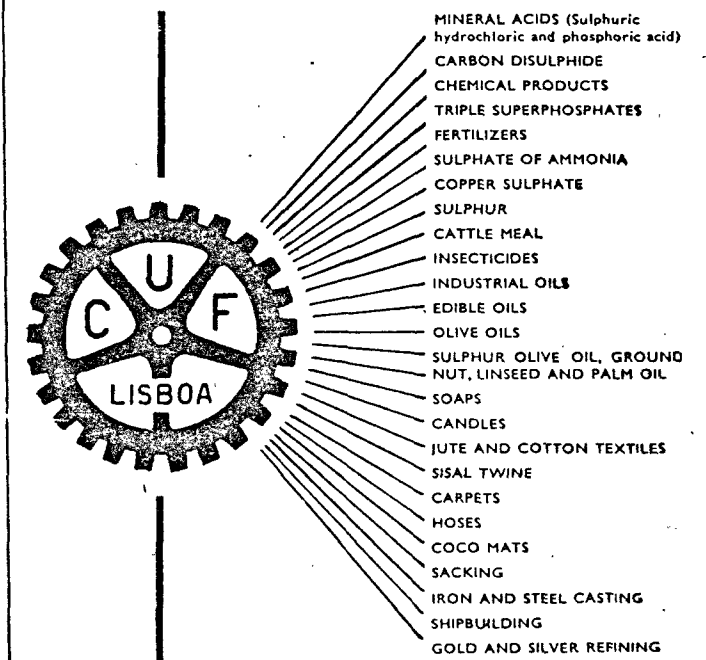
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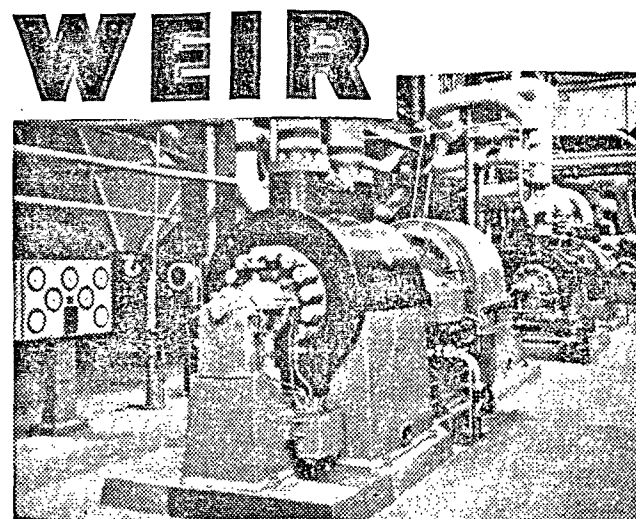
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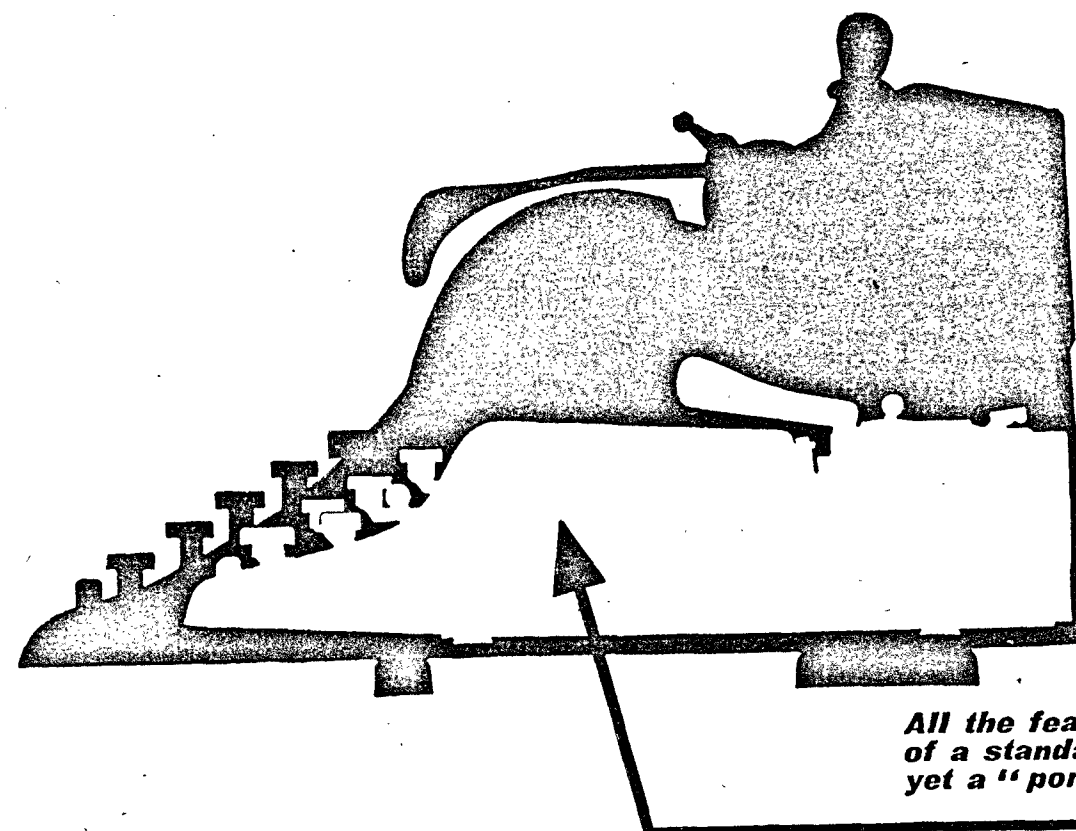


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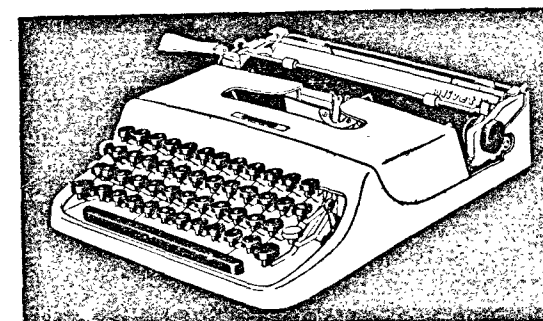
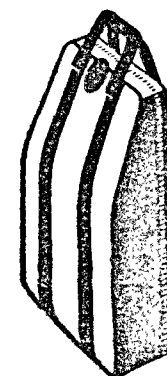
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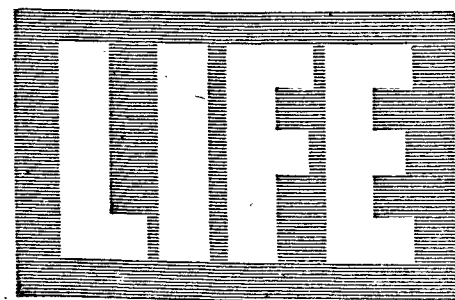
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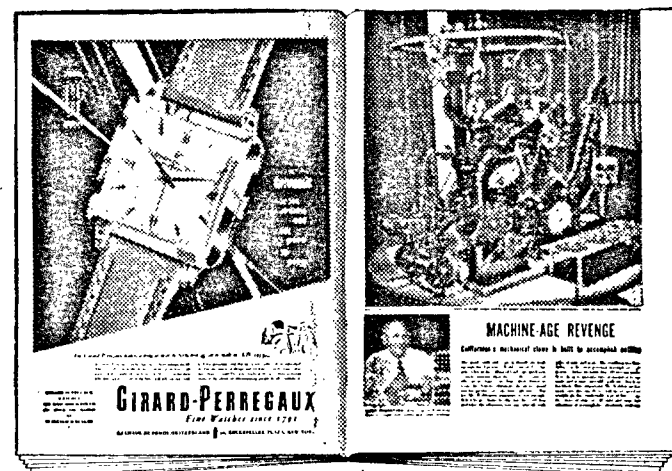


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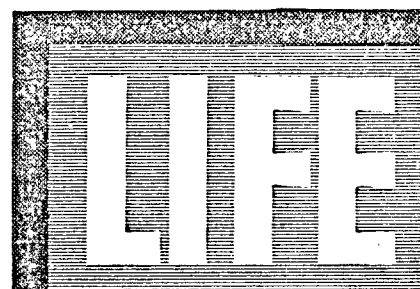
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NOVEMBER 7, 1953

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Caution and Conservatism

THE Government has thought of plenty of useful things to do in its third year. The Queen's speech, which on Tuesday opened the new session of Parliament, contained all that had been expected and quite enough to keep the politicians busy. On every one of the proposed subjects, new legislation is in principle welcome, and few of the projects should inflame party passions. These are substantial merits, and it was fitting that the Prime Minister's speech on Tuesday displayed to the full all his talents of statesmanship and of lucidity. The programme is in effect one of wise and mild reforms appropriate to quiet times, and if the times were quiet there would be nothing but approval for it. But the assumption is unrealistic. If there is criticism, it is not that the measures are bad or useless. It is that they do not go far enough to match the pressing needs of times that may be far from quiet for Britain.

There are two proposals requiring separate comment immediately. One concerns the basic division between the parties on nationalisation *versus* private ownership. The Government will continue to undo its predecessor's socialist legislation by abolishing the Raw Cotton Commission. This can hardly encourage the calm and tolerance for which the Prime Minister once again appealed on Tuesday. For a government to undo its predecessor's work should be, as Sir Winston argued, "an exception to the rule"; and this Government has already permitted itself several exceptions. But this is a small one. The nationalisation of cotton importing was never an integral part of Labour policy, and it was, in a sense, accidental that raw cotton buying was handed over to a statutory public corporation and not left, like other materials, to the wartime system of state trading by Government departments—in which event a free market could now have been restored, as for other raw materials, without any reversal of Labour legislation. The Opposition will be arguing about a formal point if it makes a great fuss in this case when other markets have been reopened quietly enough. The Prime Minister wisely balanced his claim to this last "exception" by a welcome assurance that the Conservatives are determined to make a success of nationalisation for the railways and the fuel and power industries, and Labour should be able to moderate partisanship to an equal extent.

The critical test of the Government's skill in political conciliation is the major proposal of the Queen's speech: the new attack on the housing problem. The scheme, summarised on page 406, is of the kind that might typically be expected from a coalition Government. The policy for slum property deserves a warm welcome, but in its immediate effects is essentially sugar on the pill. The crux of the matter lies in the normal houses, due to remain in use for many years, whose rents are controlled at the prewar level. This is a matter that touches the pockets of half the nation's voters; and the problems involved are extraordinarily complex. But grossly uneconomic rents have become such barriers to a soundly based economy that their

removal is urgently necessary. The policy to which the Government has now screwed its courage is not one of trying to sweep away the evils of rent control; it is to moderate them as much as it thinks possible without exposing itself to great unpopularity or to merciless partisan attacks.

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The evils of rent control ought no longer to need stating. They are of three kinds. First, it is illogical and unfair. Landlords, almost alone, are restricted by law to the prewar gross return on their property; and two tenants may pay appreciably different rents for identical houses. Secondly, the cost of repairs has risen so much, in relation to controlled rents, that it is uneconomic to keep in good condition houses that will continue to be needed for a generation and more to come. Thirdly, the cost of living in a controlled house has become so low, by comparison with other prices and incomes, that people do not trouble to move, or to take in a lodger, when a house has more rooms than they would think worth paying for at the real economic cost. The result is to create an artificial shortage of houses, which the state tries to meet by extensive new building at subsidised rents; it therefore diverts the nation's limited capital resources, so badly needed for productive investment, to a purpose that—whether or not it is socially desirable—is certainly secondary to the country's economic survival through the modernisation and expansion of industry.

The Government's new policy concentrates, naturally enough, on the second of these evils. The necessity of keeping houses in good repair is the thing that tenants can understand well enough. What little is to be done to remove the anomalies of control is incidental. The permitted increases in rents will be very narrowly adjusted even to extra repair costs. There is no provision for financing the great backlog of repair work arising from wartime and postwar neglect, and the right to raise rents at all will be hedged round with strict bureaucratic controls. Indeed, in its anxiety to answer in advance any charge of favouring landlords at the expense of wage-earners, the Government has leaned so far backwards that it has almost fallen flat. The actual increases in rents will vary a good deal, but the overriding limit of twice the gross rateable value put on the new rents—which will not be reached in most cases—means that housing will still remain, relatively to incomes, much cheaper than it was before the war. The distortion of the country's resources by uneconomically low rents will gradually be moderated but it will never, under this scheme, be removed.

This is certainly not a distinctively Conservative scheme. It does not provide the benefits of a free price mechanism in which Conservatives believe. On the contrary, it is a compromise of the kind that many right-wing Labour leaders would consider reasonable if they did not have to answer to their more emotional followers. This does not mean that the Labour party

will let the scheme go without attack, and the Government deserves to be congratulated on going so far as it proposes. By the time rents are actually raised under the scheme, the next general election will hardly be much more than a year away. The risk of political odium, from so moderate a measure, ought not to be great, but even so it is a risk that politicians shrink from too often for this occasion to pass without any praise.

It may well be that a bolder attack and a sharper rise in permitted rents would pay the Conservatives better. If they were going to incur any odium at all, they might as well have allowed rents to rise far enough to have a real chance of solving the housing problem. Whether they ever seriously considered doing this (and doing justice to the landlord into the bargain) is not known. But Mr Macmillan's proposals show that, on this occasion at least, the Conservatives do not feel able to venture far outside the field of inter-party agreement.

★

It is too soon to say whether this tactic of minimum offence is the settled and deliberate policy of the Conservative party. A much more important test of its intentions will be coming later in the session. It is widely believed that the Royal Commission on Income Tax has been asked to submit its report before the budget. Whether that is so or not, it is apparent that the budget of 1954 will be this government's only opportunity to undertake any reform of the present structure of direct taxation. Now if there is anything in the present state of the British economy that every conscientious Tory must want to reform, it is the inhibitions that the present taxes impose on precisely those qualities to which he looks for the economic salvation of the country, the sense of initiative and the freedom for enterprise of the individual citizen and of the private business firm. Unlike Socialists, Conservatives cannot console themselves for any sluggishness or dejection, for any failure of adaptation or growth, that may be shown by an economy deprived of its mainspring by saying that all will be put right by the intervention of the state. They must want a reform, and as sweeping a one as is possible, of direct taxation. But tax reforms will be unpopular. The ordinary man in the street will not perhaps be quite so indignant about "bonuses for profiteers" as he would be about a doubling of his rent; but very nearly. Yet if the Tories believe anything, they must believe that such a reform of taxation, by stimulating the whole economy, would in the end benefit the wage-earners as much as any other section of the public.

It would be wrong to make any assumptions about the budget before it is opened. It may yet be a bold one. But if it were to be watered down to conciliate the opposition, then one conclusion would be plain. It would then be apparent that the division in British politics was not between socialists and non-socialists, between believers in the planned egalitarian society and

believers in individual enterprise and diversity, but between two parties, both of which accept the basic principles of the controlled, over-taxed, anti-individualist bureaucratic state and differ only on the details of their application.

That might be good for politics. As has so often been pointed out, British parliamentary institutions work well only when there is a wide area of agreement between the parties. But as Mr Attlee, with his usual limpidity of phrasing, said on Tuesday, "the economic position of this country is the overall problem," and

Paris on the Red River

LAST week, for the first time for many months, the French Assembly held a full-dress debate on Indo-China. The most significant part of the discussions was the statement in the speech of M. Laniel, the prime minister, of the government's profound conviction that there was no alternative to the present policy in Indo-China. All France is longing to end what is increasingly regarded as a sterile struggle. All France, inspired by motives that spring politically from the Right as well as from the Left, is coming to believe that the position in Europe demands the urgent return of French forces from the Far East. Yet the prime minister won a crucial vote of 317 to 251 in favour of continuing the war.

Why? And for how long can this verdict hold good? Behind the answers to these questions lies the whole range of emotion and logic, cruel loss and inexorable fact which now dominates one of the most critical of all modern problems: can France really be relied upon to go on playing the role in which circumstances have cast it since the war? Both in Europe and in Asia, the other free nations desperately need French assistance. This is the background to all the recent renewal of serious doubt, abroad almost as much as in France itself, about French moral ability to sustain the war in Indo-China, when the national economy is so seriously dislocated; when the perennial political crisis has taken a serious turn for the worse during the summer; and when, above all, the reality of the resurrection of Germany must soon bring to an end, one way or another, the period of procrastination over the European Defence Community (EDC).

M. Laniel was not defeated in the National Assembly, as some had feared that he might be. He won, in the sense that he accepted the successful compromise resolution which called on the government to observe three basic factors in regard to future French policy over Indo-China. It must develop the armies of the three Associated States to the point at which they are able to take over entire military responsibility from the French. It must seek to bring peace by negotiation. And it must ensure that sacrifices are justly shared by all the free nations. This resolution was adopted, however, only because the alternative was recognised to be

it is not likely to be improved if everybody settles down to acceptance of the present state of affairs, with the old mainspring of the economy so nearly broken and with no new one put in its place. If everybody does not think so, one would have supposed that Conservatives do. The public interest is more likely to be served by a clear choice between honestly held and courageously propounded policies than by any attempt to seek harmony at the expense of reality. The Conservatives' proper role is to be real Tories, not caretakers for the next Socialist administration.

not an agreement that would lead to withdrawal, but surrender. For even those who are most passionate in their desire to end the war understand that an attempt to carry out an evacuation in the face of the enemy would almost certainly have two fatal consequences. In Indo-China itself it would probably lead to a colossal physical disaster involving heavy slaughter of French troops and civilians. In terms of world prestige and European politics, France would suffer a setback that would almost certainly offset any increase in its ability to stand up to a German renaissance that might be obtained by the return of the rump of the army from Indo-China. Surrender, in fact, would defeat its own ends. The Red River flows through the heart of Paris.

In spite of the doubts and hesitations which have become so prevalent in the last few months, therefore, France will for the time being continue the struggle in Indo-China. But there should be no misunderstanding—as every recent comment from Paris makes it clear that there has been in the past—of the differences between the way the French regard this evil necessity and the way it is seen by their friends. The resolution adopted by the Assembly was a vote to continue the war; but its nature was essentially defeatist. It presupposed that a serious bid would be made, and sooner rather than later, to negotiate with the Communists in Indo-China on almost any terms. And it drove home with final emphasis the fact that the French are not prepared to engage in the fight against Communism just for its own sake. In the past, Frenchmen have regarded the war in Indo-China as a purely patriotic effort in defence of what were at first regarded as vital French national interests. But now the game no longer seems worth the candle. Victory would merely mean full independence for the Indo-Chinese, and the French cannot help beginning to feel that they have been led into making a heavy sacrifice for a myth and a shadow.

It may seem strange that the logic of this argument is only now having its full effect on the mood of France. It is stranger still that the gap between the primary motives of the French and their allies has not been more fully acknowledged in the past. When countries

ombine together in a common cause their basic reasons for doing so are seldom quite the same. In the case of Indo-China, however, the seven years for which the war has dragged on and the remoteness even now of any possibility of final military victory have combined to widen rather than to narrow this divergence of purpose. And this has happened, perhaps inevitably, at a time when events both in France and in Indo-China have been reaching what may yet prove to be in each case a critical turning point.

Thus, the second question to be asked about last week's vote is: how long will the decision to fight on endure? In Indo-China, the campaigning season is opening slowly. From the Red River delta, General Navarre has done his best to hit at Viet-minh supplies and concentrations. Now being reinforced for the first time for several years with nine additional battalions, drawn in part from Germany, the French forces are in a stronger state to withstand attack but in no position to launch a victorious military offensive. On the other hand, however discomfiting the suspicious attitude of the Vietnamese to the French Union may seem in Paris, the political outlook on the anti-Communist side is possibly healthier as a result than it has ever been.

Against this edifice the Viet-minh are generally expected to launch at any moment their strongest attack so far. There are forecasts of hard pressure on the Red River delta area and a renewed Communist drive into Laos and possibly into Cambodia. The aim of both sides, it appears, may be to reach a position of strength from which to negotiate by next May. But whether or not the Communists are willing to engage in real bargaining, there can hardly fail to be yet another sharp and critical re-examination of the position next summer by the French parliament.

State Farming in Practice

THE theoretical issues of land nationalisation have now been debated for well over a century. A radical approach to the "land question" was the badge of progressive thinking throughout the nineteenth century and was founded on a respectable basis of classical economic theory. This theory, by recognising and defining the element of natural monopoly in the ownership of land, fathered a host of schemes for the confiscation of "surplus" land values which became the pet nostrums of Liberal politicians. The Labour party, when it arrived on the scene, readily assimilated these teachings to its own more rigid doctrines of public ownership; and successive Labour manifestos have included land among the "basic" industries which will eventually be taken over by the state.

Despite its impressive pedigree and its relatively broad appeal, the traditional case for land nationalisation has now lost most of its force even in Labour

When that takes place, France will have passed through a period of several months in which its relations with the Federal German Republic are likely to be the dominant political topic. More is likely to have been said, in the same vein as Sir Winston Churchill's speech at Margate on October 10th, about the alternative ways of rearming Germany if the EDC fails to materialise. Much water will have flowed under the bridges of the Saar. But, short of some unforeseeable change, French policy will continue to rest on the two pivots on which it has lately seemed to turn—in Asia an intense desire for an armistice, and in Europe an intense dislike for any new commitment which the British will not also undertake. For Britain, it is arguable whether further progress in western organisation is more urgent than the need to ensure the holding of the front in South-East Asia. But it is certain that, just as these twin problems are now deeply interlocked in the French mind, they must also be regarded as mutually dependent by France's allies.

Whether rightly or wrongly, there is a growing belief on the Continent that the German is becoming a more urgent problem than the Russian; yet it is no use pressing the French to ratify EDC without regard to the existence of Indo-China. If pressure is to be brought to bear, it must take the form of extra help or guarantees either in Europe or in Asia. It cannot ignore the link between the two. As to what should be done, it still remains true that an Anglo-American guarantee, for instance to keep forces in Europe at least equivalent to those of the Germans, or a wider British commitment to the EDC, would cost little compared with a disaster in Indo-China. For, if the French increasingly doubt the value of their own sacrifices in the Far East, their allies can less and less afford to do so.

thought. This was made clear at the party's Margate conference, where the proposal to include land nationalisation in the next party programme was opposed not only by the late Minister of Agriculture but by the spokesman for the Agricultural Workers' Union, and was heavily defeated. Sir Hartley Shawcross did indeed wake the echoes by entering a plea for the taxation of agricultural land values; but his suggestion has meaning only if it is interpreted in a wholly novel way. Agricultural rents have shrunk, with inflation, to a point where they are clearly and admittedly inadequate for the landlord to carry out his proper economic function. If anyone is to be additionally taxed, it should be those occupiers whose rents are too small to stimulate them to utilise their land fully. In this case, Sir Hartley's proposal has merit; but it is a far cry from the teachings of Ricardo and Herbert Spencer.

This changed situation does not destroy the case for land nationalisation; but the case that now exists is based, paradoxically, on a reversal of traditional views. The problem is not that the landlord waxes fat but that he has grown too thin. It is his poverty not his rapacity that afflicts British agriculture. Since small family farms are still predominant, agriculture remains heavily dependent for its fixed capital on private landlords. Since agriculture was starved of new capital for many years, its requirements now that food production has to be increased are particularly heavy and urgent. Since, finally, private landlords cannot provide adequate capital, the state—it is argued—should assume their responsibilities. The argument is strongly reinforced by the fact that the taxpayer already provides large subsidies for capital improvements on which he gets no returns.

The main exponents of land nationalisation in recent years have thus been agricultural technicians, such as the late Sir Daniel Hall and Dr C. S. Orwin, basing their case on the need to improve farming efficiency. By taking over the land, the state could not only provide much needed capital; it could also reorganise the obsolete layouts of many holdings; it could create larger and more economic units, suitable for the use of modern machinery and management methods; and it could provide more openings for the trained products of agricultural colleges. On the other side of the debate, it is contended that "farming from Whitehall" would clamp down on agriculture an elaborate system of bureaucratic management that would be inefficient, costly, and exasperating.

While the debate has been carried on at this theoretical level, the state has slowly but steadily become the largest rural landlord in Britain. The Forestry Commission owns about 2 million acres, the Crown Commissioners own about 355,000 acres, and the Ministry of Agriculture itself owns 217,000 acres. Other large areas are owned by public and semi-public bodies such as the Ecclesiastical Commissioners. Moreover, these estates, not being liable to death duties, provide opportunities for long-term scientific management which are unfortunately not open to private landlords.

The Ministry of Agriculture's land is managed by the Agricultural Land Commission, a public body specially created for this purpose in 1947. The commission's holdings have originated in a great variety of ways. About 100,000 acres is land originally acquired by the Forestry Commission but more suitable for farming than for forestry. Another 21,000 acres consists of disused airfields. One large estate in Wales, accepted by the Treasury in lieu of death duties, accounts for 38,000 acres. The land that the state has acquired specifically in order to increase food production totals 37,000 acres. Most of this was originally requisitioned during the war by the county

agricultural committees, but some of it has been acquired since under powers given in the Agriculture Act of 1947.

This rag-bag of holdings has presented the commission with difficult problems of management. Most are marginal land, consisting of hill farms, rough wastes, and disused commons. Their fixed equipment was usually in bad condition and in some cases (such as the airfields) was totally lacking. The commission's work therefore cannot be judged by normal criteria. But its experience, recently summarised in its sixth annual report (HMSO, 2s. 6d.), does make possible some tentative conclusions about state farming in those areas where private ownership is least successful.

The commission is unquestionably a good landlord. Its first concern has been to put its properties in good repair and to provide them with adequate fixed equipment. The repairs bill alone has come to over £500 for five-sixths of the farms that have been tackled. Over five years, it has amounted to almost two-thirds of rent income. The commission has now organised nearly all of its land in self-contained units, and about 40 per cent (compared with a negligible proportion when the commission took over) is described as in good order. Much still needs to be done in the rest of the property.

The commission's expenditure has been much heavier than that of private owners managing similar land. Its investment per agricultural acre has been twice or more the national average. This is partly due to the arrears of neglect which had to be made up, but the commission's standards are also high in relation to the poor intrinsic quality of most of its holdings. For instance, though most of its properties are remote, they are probably now better served with piped water than the general run of farms. This is commendable in itself; but it raises the question whether part of this investment ought not to have gone into more productive land where it would without doubt yield a better return.

The commission is not required to pay its way and has generous financial backing from the Treasury. It considers improvements "primarily from the point of view of food production, although due regard is paid to economic factors." More bluntly, it is able to make losses which would cripple completely a private landlord. Over the five years the commission has managed to earn a small surplus on its English properties after meeting all management expenses and allowing for depreciation, but before paying interest on its capital to the Treasury. The Welsh sub-commission has done considerably worse and has a large "above-the-line" deficit. In fact, its rent income has fallen well short of its expenditure on repairs and management alone.

It is clear that state farming on marginal land is

liable to prove expensive for the taxpayer. The commission ingenuously states that "apart from capital," its work does not impose a heavy annual charge on the national revenue. But £200,000, inclusive of accumulated interest, of the capital advanced to it by the Treasury has already been written off as a loss. Moreover, the commission gets the same benefits as private owners do out of the subsidies available for hill farming and marginal land, which it has utilised on a generous scale. This must be set against the commission's success in expanding production. It has improved its properties enormously and regrouped many of them into better economic units. It has, quite rightly, farmed directly only a small minority of holdings which were not suitable for immediate letting. Its vacant holdings have been let to those tenants who are able and willing to farm the land to its full capacity. Rents have been raised considerably in the effort to get an adequate return and to stimulate production.

The commission was intended to give first attention to improving food production, but it is clearly time for broader economic considerations to be taken into account, especially if the ambit of state farming is to widen further. Besides its management functions, the commission has the duty of advising the Government whether it should acquire additional land. It has examined eight problem areas, comprising 110,000 acres, and its reports show that much of this land is in a poor way. The commission, however, has been

cautious in adding to its responsibilities and has recommended that only about 10 per cent of the investigated land should be acquired; the Minister, still more cautious, has so far acquired only one small area.

Public ownership in the form provided by the commission is one of several possible methods of improving marginal land. The basic question is not how the land should be owned but how far the need for more home-grown food justifies investment that cannot yield a full economic return. If such investment is to be on a large scale, there clearly comes a point at which public ownership is better than heavy capital subsidies to private owners. But it is not clear that this point has been reached or ought to be reached. The experiments in state farming should for the present continue on a small rather than a rapidly increasing scale. The results so far suggest that it is in practice neither so good nor so bad as the opposing theorists claim. It does offer advantages in management, particularly in areas where land is at present badly fragmented among many owners. Its danger, in its present form, is that it will lead to a wasteful outlay on odds and ends of land which do not warrant rehabilitation. Since there is plenty of underfarmed and undercapitalised land in Britain, any future state acquisitions should therefore be directed towards, at any rate, the better type of marginal land. That would at least provide a more varied experience on which further nationalisation can proceed cautiously, if at all.

Proud Borrower and Shy Investor

ONCE upon a recent time, a private investor set out from his home in the west to seek good risks in underdeveloped countries. On his first night on a strange shore, he sought his fortune in the bar of the Palm Palace Hotel. Here he fell in, first, with a fine landlord-politician of the place, and later with a fellow countryman in business there.

"Investment here?" said the first. "Our land is crying out for it. You are welcome. We need a dam for our great river and a hydro-electric station beside it, so that we can settle peasants and run factories; we need our marshes drained, some silos and a new port; we need cement, paper, and fertiliser plants; there is no road to the interior, but would you be interested in our minerals?"

"Investment here?" said the second. "Don't touch it. I cannot move for the red tape of ill-run departments; my profits are frozen at will; my right to hire and fire is tampered with, not only by law but also by politicians who press me to sack their opponents. I am up against disregard of undertakings; a long-term operational agreement that I made only last year is already being questioned because someone thinks I ought to be able to afford better terms. Take my advice

and the next plane for countries that offer better security."

This conversation might have taken place anywhere in three or four continents. Both in sovereign states and in dependencies all over the world, would-be borrowers for purposes of "development" see no incompatibility between setting their cap at the new investor and, simultaneously, behaving without consideration to the old. In fact, the talk took place in the Middle East, and, since this is the destination of a large trade mission which is leaving London next week, the examples given in this article are all taken from there. They are given subject to the comment that all can be matched elsewhere.

Concrete examples are available in almost every Middle Eastern state. Lebanon, for instance, proclaims its anxiety to attract investment from overseas, but is at the same time engaged in expropriating an urban electricity company without proper compensation. Syria, though less keen on new foreign investment, is joining with Lebanon in squeezing the two foreign oil pipeline companies that enjoy transit rights through their lands for better terms. Saudi Arabia, which sees the Arabian American Oil Company as an

inexhaustible source of benefits, seldom tires of renegotiating recent agreements in quest of better terms. Iraq may yet carry out threats to nationalise a foreign electricity company without compensation for loss of profits. Almost everywhere in the Middle East, Dr Mossadegh's battle with the Anglo-Iranian Oil Company is vested with such an aura of nationalist triumph for Persia that its reverse aspect—the deterrent that it constitutes to further foreign investment—is ignored.

★

General Neguib's Egypt, however, offers an interesting potential exception to the rule. The Egypt of his predecessors was even more apt than its neighbours to throttle foreign enterprise in the name of nationalism, regardless of its need for foreign capital. In 1947 and 1948 it passed anti-foreign company and mining laws that caused many foreign concerns to put a brake on development and some to withdraw from the country altogether. Today, the Neguib government has instituted a new production council and a committee for the investment of foreign capital, and the chairman of the two bodies has publicly remarked that "if we want to understand how to attract capital, we must study what we did that caused it to flee." The new government has revised the mining law, is talking of amendments to the companies law, and has produced a new law on the investment of foreign capital in economic development projects that is meant to protect the investor against the freezing of his assets.

These moves present so sharp a contrast to the blind nationalism of past policy that most Egyptians have not been able to go into reverse overnight, and foreign investors still hang back because they see the survivors among their predecessors handicapped by the acts of officials who have not caught up with the new thinking. But a start has been made.

The underdeveloped countries have their retort to many of the complaints. It was voiced at a panel discussion held at the International Bank in September on the problem of creating in underdeveloped countries a climate conducive to foreign investment. Its spokesman was the Egyptian Minister of Finance, who asked:

You demand transferability for both profits and capital. But are you doing the necessary to enable importing countries to earn your currency or are you, by trade barriers, barring them from earning it in an honest way? You complain of labour legislation. But is it too much for the people in less developed countries to claim the right to a bite of the cake that is produced there?

Naturally, there is a happy mean in such matters. But the chief reason why it is not yet attained in underdeveloped areas, and why the investor with money to place remains shy of commitments there, lies more in the waywardness and xenophobia of the countries that wish to borrow than in the present practices of the west.

Local myopia is often founded on beliefs and preju-

dices that have nothing to do with economics. The Arab, Persian or Egyptian, however keen to attract capital, judges that he can behave as loftily as he likes to the West because he has suffered at its hands and is owed compensation. A second premise is that he is indispensable. These two ideas have been encouraged by western behaviour—by greedy concessionaires of Ottoman days, by leading figures in two world wars who represented the Middle East as "vital to western interests" but failed to establish any impression that Middle Eastern interests also were at stake, by oil companies that paid a royalty of three cents a barrel until they sensed that the Middle East was discovering the better terms secured by Venezuela, by politicians who partitioned Palestine and then—in Arab eyes—acknowledged guilt by paying conscience money towards the upkeep of its refugees.

In recent years the twin premises have been further encouraged. One end-product of such enterprises as Mr Bevin's Middle East Office, President Truman's Point Four, the United Nations' agency for the relief of the Arab refugees, and President Eisenhower's recent grant of \$43 million to Persia, is an enhancement of the conceit that western bounty is due as of right, and that, no matter how often western street names are torn down and American or British offices sacked, the West will turn the other cheek. Normally, the technique for a concern needing capital is to display the security and yield obtained by earlier investors. Underdeveloped countries, in their arrogance, offer no such attractions, and the would-be lender is understandably shy.

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He is also held back by another big consideration. All categories of private investor—whether individuals, fiduciaries responsible for insurance and trust funds, or corporations whose managements are responsible to stockholders—look, when investing abroad, for one or more of the classic inducements to invest. Of these, one is a large and sure market; the biggest markets being in the west, the investor abroad has tended to put his capital into raw materials that he can market at home, that are really an extension of his home economy and that bring local benefits only as a by-product of his operation. These conditions are not on offer in the Middle East today; it wants the other side of the medal.

An alternative inducement is the financing of part of the enterprise by local participants. In the Middle East, however, the absence of the habit of investment in any project offering a small but regular yield has long been proverbial. Your Egyptian, Persian or Kuweiti wants at least a 30 per cent dividend; mistrusting his neighbour, he also wants it quickly, and completely within his personal control; he therefore puts his savings into land, houses or merchandise. He does not see that his participation would carry weight

with foreign lenders, and is querulous about the dimensions of American aid to Western Europe as opposed to American aid to himself. A wider move than has yet been made to establish joint-stock companies in collaboration with western lenders would vastly increase his country's prospects of capital development.

The American government's idea in launching aid programmes for underdeveloped countries was that public aid would fade away and private investment step in. But what happens in Western Europe is not happening in the Middle East. Nor will it happen quickly. Especially in xenophobic countries, the private investor is not the man to whom to turn for basic requirements such as vast irrigation schemes or networks of communications. As Sir George Schuster pointed out in the discussion at the International Bank already quoted, "the scope for private investment capital, and the things that need to be done to open the way to a fuller flow of private investment capital, are quite different." It is unrealistic to hope for the latter without first providing the basic capital works that will make investment pay, and to finance these recourse must undoubtedly be had to continued foreign public aid. Yet here, at least in the Middle East, is the threat of a vicious circle. The greater the public aid that is proffered from the West, the more lasting the Middle East's belief that the West is under an unredeemed obligation to it.

But compromises are not beyond the bounds of imagination. At a meeting last spring of the Finance Ministers of the Arab League there was some talk of an Arab Development Bank, and some at least of the propounders of the idea envisaged International Bank participation not only in its capital formation but in its management. Here is a germ that, if developed, might produce a new type of mixed International Finance Corporation undertaking major works. Such public bodies offer a double advantage; they are, owing to their strength and spread, more proof than private companies against the risk of expropriation that is at present the main deterrent to individual investors, and they are the essential forerunners of the mixed private companies that are—until underdeveloped territories give birth to a large body of indigenous savers and investors—the best answer to their need for capital.

Until he gets that answer the new private investor will be a scarce commodity there. He may poke his head round the door, but, after colloquy, he will tend to leave in search of the better risks that are to be had in the western lands themselves. The remedy lies in the hands of the "underdeveloped" peoples, but it shows too little sign of being used. Indeed, their rich men, far from setting the example for a local change of investing habits, are prone also to place their private investments in those countries of greater security.

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Notes of the Week

Bewildering the Opposition

NOTHING could have given the new Parliamentary session a better start than Sir Winston Churchill's immaculate speech on Tuesday afternoon. He gave coherence to the Government's programme, put the Opposition on its mettle, and greatly heartened his own followers. Problems had seemed to be multiplying both at home and abroad without any apparent prospect of early solution. The problems remain, and truth to tell, some of the solutions are as distant as ever. But the activity promised in the Queen's Speech, followed quickly by Sir Winston's eloquence, the White Papers on housing and agriculture, and a variety of Bills—including those on the reserve forces and judges' salaries as well as the expected Regency Bill—revealed the Government in a more purposeful mood than some of its followers were prepared to expect.

The Conservative backbenchers are happy, above all, because Mr Macmillan is judged to have produced a housing policy that is saleable in the constituencies. This verdict seemed to be confirmed by Mr Morrison when he rather ponderously condemned as propaganda a "popular" version of the White Paper issued for sale to the general public. For all his constitutional conscience, one doubts whether Mr Morrison would have bothered about the publication if he thought that its arguments could easily be answered. The speed with which the Government followed up the Queen's Speech seemed to take the Opposition by surprise and probably accounts for some inconsistencies in its early reactions. On housing, the promising thesis that the Tories are putting money into the pockets of the landlords was abruptly sabotaged when Mr Bevan claimed that the plan would fail because landlords would not find it profitable to take advantage of the repairs increase. Nor, remembering the recent history of council house rents, will Labour necessarily be grateful either to Mr Bevan or to the authors of "Challenge to Britain" for laying so much emphasis on "municipalisation" as the answer to the repairs problem.

Sir Winston Sadder But Wiser

THE sadness was unmistakable in the passage of the Prime Minister's speech on Tuesday in which he erred once again to his project for a meeting of heads of governments. The "cruel problems" of east and west did not, he admitted, be laid to rest by such personal feelings, which might, indeed, lead to "a still worse

deadlock than exists at present"; and he touched a deep chord in a silent House of Commons when he added:

Time will undoubtedly be needed; more time than some of us here are likely to see:

This was a very different thing from Sir Winston Churchill's brave words in May, when he assured the Commons that "at the worst, participation in the meeting would have established more intimate contacts." The pennant that the new Garter knight then raised on his lance is still gently fluttering, but its now faded colours no longer draw all eyes.

Sadness is in place if Sir Winston, under the pressure of events—or advisers—has lost the bright vision of a great career crowned by a personal victory over the dark powers of war. But relief is also in place. In the past six months the Prime Minister's cloudy concept of top-level talks has itself helped to make the international situation—to use his own words—"more baffling." If it is now to be jettisoned, the sharp edges of the real position will be seen more clearly.

It seems, however, that a new illusion may now arise; to over-simplify can be as misleading as to becloud. The Prime Minister's speech on Tuesday contained a passage in which he declared it reasonable to conclude that

internal prosperity rather than external conquest is not only the deep desire of the Russian peoples, but also the long-term interest of their rulers.

He is undoubtedly right to put into the scales the Soviet peoples' longing for a better life. But his words will strengthen the hold on many minds of the false antithesis, according to which a country such as the Soviet Union must be either openly aggressive or genuinely peace-loving. So great is his influence that these words are already being widely cited as a new gospel of hope. Yet all the bitter experience of eight postwar years has shown that the men in the Kremlin, without firing a single gun, can wreak vast mischief in many parts of the world. There is no necessary contradiction between a policy of "all mischief short of war" and the easing of the Soviet people's burdens. On the contrary, the more hammers and sickles can be thrown into the wheels of the free world's economy, the faster will the relative position of Malenkov's subjects improve.

Moscow Will Not Talk

WAS it malice, or mere coincidence, that brought the new Soviet Note to London a few hours after Sir Winston Churchill had told the House of Commons of his hope for an early and favourable answer to the West's "conciliatory invitation" to a conference at Lugano? There was nothing conciliatory about the reply—if, indeed, it can be termed a reply, for it made no reference either to

Lugano or to the new date (next Monday) set by the western governments after their disappointment over October 15th. Firm omissions seem to be the new Soviet method of dodging the irksome business of actually saying "no."

"No," however, remains the burden of its argument. The Note toils tediously over the same ground that was covered in that of September 28th, grubbing up again every conceivable reason for not holding a conference on Germany and Austria. The brevity and restraint of the western invitation sent to Moscow last month have had no visible effect. The calculated discourtesies, ponderous polemics, and ingenious omissions of the Note suggest that it is primarily intended neither for the governments to whom it is addressed nor for their peoples, but for publication east of the iron curtain.

The impossible conditions which the Soviet Note of September 28th attached to any kind of discussion have now, with a visible effort, been made a little more impossible. Fantastic as it may seem, it now appears that Molotov could not bring himself to sit down to a talk about Germany without a previous assurance that the free world's defences were being dismantled in areas as remote as the Middle East. What would be his reaction—and that of German and world opinion—if the western powers matched this obstruction by refusing to discuss Germany unless Russia abandoned its military bases in such countries as China, Hungary, Poland and Finland? Further invitations from the western side can hardly serve any useful purpose. Moscow does not want to talk; it made that clear in September, and it has now said it again in terms which drag the whole exchange down to rock bottom. There, it seems, it must stick.

Operation Rescue

MR MACMILLAN has hit on an apt title for his new housing policy. Essentially, it is a vigorous and fairly comprehensive attack on the problems presented by old, decaying, and sub-standard houses. No less than four million privately-owned dwellings, representing almost a third of the nation's total stock of houses, are more than 75 years old. While the Government has been busy building 300,000 new houses this year, as many old houses may have deteriorated beyond repair. This paradoxical and futile situation could not be allowed to continue any longer.

The Government's policy for old houses falls naturally into three parts. First and most important is the amendment of the Rent Restriction Acts. Its object is to permit private landlords to charge a sufficient increase in rent to carry out adequate repairs. The method adopted was suggested in 1951 by the Royal Institution of Chartered Surveyors, which pointed out that the statutory deduction allowed in estimating rateable value provided a rough but fair measure of the cost of maintaining and repairing houses in 1939. According to the recent report of the Girdwood Committee, the cost of repairs has more than trebled since 1939; the Government has now therefore decided that an increase in rent equal to twice the amount of the statutory deduction might reasonably be allowed—"reasonably" meaning that the Government thinks that voters can be convinced of its necessity.

The effect is that most controlled houses will become eligible for a rent increase of from £10 to £16 a year, with the proviso that the new rent may not exceed twice the gross rateable value. For many tenants an extra four shillings or six shillings a week is an increase of from 50 to 75 per cent, but this indicates the ridiculously low level of existing rents, not that the burdens on tenants will be heavy. Moreover, the rent increase may be claimed only if a stipulated minimum, equal to six times the statutory deduction if spread over three years or three times this figure if spread over one year, is in fact spent on repairs by the landlord. The tenant is assured of an additional benefit out of his house. He can challenge the landlord's right to raise the rent by an appeal to the courts, and he can at any time withhold the permitted increase in rent (with the consent of the local authority) if the property is not maintained in good repair. These arrangements run the danger of fomenting a good deal of bickering and litigation. And it is difficult to guess how many landlords will think putting up rents worthwhile on these stringent conditions.

Counting the Cost

THE second part of the Government's housing policy, as outlined in the White Paper,* is concerned with houses ripe for demolition. The Government thinks that their number runs into hundreds of thousands. Local authorities are to be asked to draw up programmes of slum clearance for immediate action. At the same time, they will be empowered and encouraged to buy up slum property in advance of demolition, in order to keep it in a tolerable state of temporary repair meanwhile. This is a bold and wise proposal.

The third element in the programme is designed to deal, by a mixture of prods and threats, with all those dilapidated houses (which are certainly numerous) that could be made reasonably satisfactory, but only at a cost which landlords are unwilling to incur. Local authorities will be given stronger and clearer powers to compel landlords to make their properties "fit for human habitation." At the same time, the conditions attached to the payment of improvement grants to private owners will be significantly eased.

The Government's proposals undoubtedly contain elements of both a nice blend of political boldness and of acumen; but their limitations are serious. They subordinate all other considerations to the one important aim of arresting the decay of old houses, and there can be no certainty that they will succeed. There is no real equity as between landlord and tenant, and there is no proper counting of the cost. They will impose considerable new burdens on the public finances, by way of improvement grants and subsidies for slum clearance and for the maintenance of condemned houses by local authorities.

This extra expenditure on old property would be entirely welcome if it were matched by reduced expenditure on new houses. The White Paper recognises that this heavy cost ought to be curtailed, but does not show how it is going to be done. With Mr Macmillan still talking about the need to continue building 300,000 new houses a year, the next

* "Houses. The Next Step." Cmd. 8996. HMSO. 9d.

step in housing involves a considerable extra call on the country's resources, to an end that is worthy enough but ought to rank behind the need for industrial investment.

Lords and Parties

SIR WINSTON CHURCHILL was pointedly silent on Tuesday about the reference in the Queen's Speech to the reform of the House of Lords. He is not the prime mover in this bit of Government policy. But having broached the subject in their last two election manifestos, the Conservatives could scarcely ignore it. Some of the forecasts of early legislation are, however, obviously wide of the mark. During their years in opposition the Conservatives frequently laid down the doctrine that constitutional changes should be made by agreement and not by unilateral party action. At the moment the dictates of doctrine are reinforced by the practical hazards which would face a government with a small majority trying to impose a constitutional reform. Any changes which the Conservatives forced through in this Parliament against Labour opposition would be almost worthless; they might well be used as an excuse for total abolition of the House of Lords when Labour returns to power.

The Government originally hoped to approach the matter through all-party talks; early this year Mr Clement Davies accepted the Prime Minister's invitation to talks, but the Parliamentary Labour Party decided that Mr Attlee should decline. The next move thus remains with the Government, and clearly the phrase in the Queen's Speech—"further consideration"—was not chosen idly. Labour will not easily be brought to the conference table, for many Labour MPs feel that to assist in reforming the Lords would be to forfeit all right to abolish it later. But the Government must persevere and it will now be expected to disclose something of its views before the session ends. The normal way of doing so would be in a White Paper, which would presumably set out some fairly general principles, and on this basis the invitations to all-party talks could be renewed, perhaps with more hope of success. If Labour were to agree, the ensuing discussions would still be lengthy and the prospects for an agreed reform Bill in this Parliament are not bright. That being so, the Government is unlikely to hurry its deliberations and ministers might have been saved some future embarrassment if Sir Winston had made this clear at the outset.

In framing their own ideas for the composition of a reformed second chamber, ministers would no doubt start from the basis of the all-party talks in 1948. All parties then seemed to be agreed that a revised chamber should include a restricted number of hereditary peers and a larger number of life peers and that women should be eligible to sit. To these broad principles the present Government would now presumably add some provision for university representation. It is this prospect that has reconciled many Conservatives to giving up the plan to restore the university seats in the House of Commons. But proposals for the composition of the Lords will be of little avail if the 1948 deadlock on powers cannot be broken. The Conservatives then insisted on a delaying power three months longer than Labour would concede. Many Con-

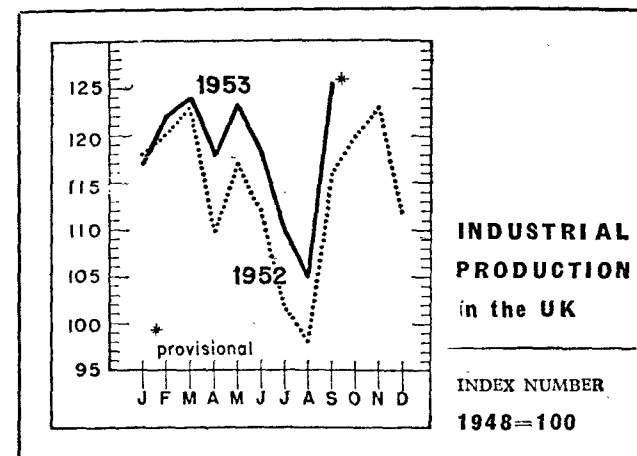
servatives are by no means ready to swallow the difference, slender though it must seem when set against the fact that unless the House of Lords is reformed by all-party agreement its future must always be in question.

M. Bidault and the EDC

IT is not M. Bidault's habit to move so far ahead of public opinion in France that he risks being cut off. So the spectacle of his full-blooded defence of the European Defence Community before the Council of the Republic last week is doubly reassuring. It shows, first, that the Foreign Minister will act on the assumption that there is life in the treaty yet, and secondly that public feeling is less hostile to it than had been generally asserted. He is to be congratulated on defending so bravely a cause that faint-hearted counsel is doing its best to betray.

He insisted, it is true, that interpretative protocols must be signed, that the Saar problem must be settled with the Germans—if only provisionally—and that Britain must somehow be drawn even closer than it has already come. But these conditions are only difficult, not impossible, to fulfil. To meet Gaullist criticisms that the treaty would violate the constitution and destroy the French Army, M. Bidault was obliged to interpret its provisions very strictly. He might also have pointed out that an instrument which binds Germans strongly enough to satisfy Frenchmen must also bind Frenchmen strongly enough to worry the Gaullists of the right and the Communists of the left. He might have gone on to show how this proposed defence treaty goes to the root of Western Europe's difficulties with the full development of the coal-steel community, further economic integration, and the drafting of a constitution for a political community. Once complete sovereignty in defence is surrendered other steps become relatively easy. On this point Dr Adenauer and Signor de Gasperi have always been firm and clear.

It is a pity that French discussion of these matters still ignores one point that is much cherished by Germans who are genuine Europeans and democrats. It is that the EDC could help to solve a problem that haunts the mind of every German politician and soldier who has learnt the lessons of



the last thirty years; how is the young Republic, still struggling to recapture a decent tradition of parliamentary government, to control the forces and emotions that will be set in motion again by rearmament? If Germans cannot trust themselves to control their generals, is it not to their credit that they should look to Europe to help them do so? That, certainly, is one of the thoughts prominent in Dr Adenauer's mind. This mood in Germany will not last very long if it is not understood outside; but much can be made of it if M. Bidault and Dr Adenauer can set next spring as the date for ratification and Franco-German agreement.

Mysteries in Soviet Germany

STRANGE things are happening in Soviet Germany. Field-Marshal Paulus has allegedly repeated the familiar Molotov jargon in a much-publicised manifesto on the establishment of a united Germany that will live—as proposed in Soviet Notes—on friendly terms with all “democratic peace-loving states.” At the same time, a large-scale hunt for alleged “partisans” has been reported and a new effort has been made to induce the population to denounce enemies of the regime.

Just before the round-up took place, new economic concessions were unexpectedly proclaimed. The prices of some goods sold off the ration by the state shops were cut, although it had previously been declared that this move could be made only if production increased. There is little likelihood that the workers have indeed raised their “norms,” as unrest has continued in the factories ever since the revolt of June 17th. The concession seems to have been made prematurely to pacify the population while the big drive against the opposition was in progress. The same motive may lie behind the use of Field-Marshal Paulus for propaganda purposes.

More baffling than any other move is the sudden announcement that a “gold content” of 0.399902 grams has now been fixed for the eastern D-mark in view of “the constant strengthening of its purchasing power.” This is, on the face of it, sheer nonsense. West Berliners continue to buy about four eastern marks with one western mark, though the Soviet zone currency has hardened slightly since prices were cut. It has quickly been noted that, if the “gold content” of the eastern mark is compared with that of the rouble, the sacred Soviet currency is “worth” less than the satellite mark. This is *lèse majesté* which Herr Grotewohl may have cause to regret.

Power Politics

THE glimpse of future power politics vouchsafed recently by Mr Thomas Murray, a member of the American Atomic Energy Commission, has not attracted outside the United States the attention it deserves. Briefly, he suggests that the nation first able to produce and transmit atomic power for industrial purposes is likely to attract the

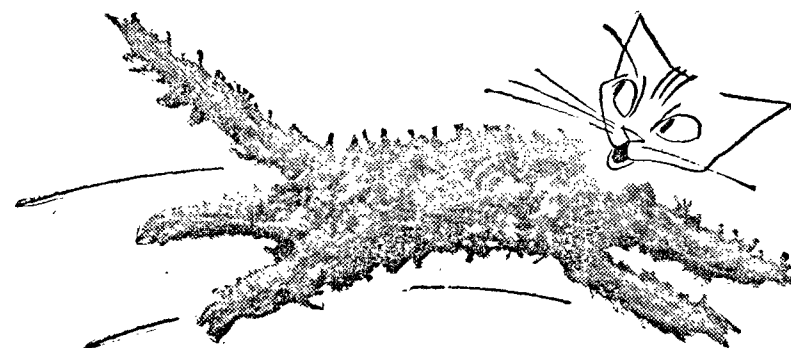
allegiance of countries seeking new sources of cheap power just as surely as the nation with most atomic bombs is likely to gather round it weaker nations without them. To put the point in more dramatic form; how would we feel if we knew that we had more atomic bombs than the Russians, but that they were able here and now to export to India, Japan, Burma and China plant for supplying atomic power to industry?

Put in this form, the question throws new light on the importance of deciding wisely what should be the priorities in the use of money and materials available for atomic development. Does the British interest, as seen from the cabinet room and the Foreign Office, lie in priority for military uses or in priority for industrial uses? The question is not easy to answer, especially if it is assumed that bigger and better weapons make peace more likely. Nor is it easy to decide how the effort being made by Britain in atomic development should be regarded as a Commonwealth concern; yet, if Mr Murray is right, the fact that Britain is within sight of transmitting atomic power for industry should be a powerful attraction to wavering members. It is impossible to know in the present conditions of taboo and secrecy whether political considerations such as these are being pondered.

Health Service Resources

ALTHOUGH a net total of something over £400 million is accepted as the maximum that the taxpayer ought to pay for the health service, it is not accepted that this sum, reached so empirically, is distributed in the right proportions among the various branches of the health service. Nor is it accepted that the best value is being obtained for the present expenditure. A conference held last week under the sponsorship of the Institute of Public Administration had these two questions as its main theme. Many people think that the hospitals have obtained too large a share of the total budget. Yet as Mr Farrer-Brown pointed out in the first paper of the conference, the present allocation of resources between the hospitals, the general medical services and the local authority services is broadly the same as existed before the health service and also broadly the same as exists in other similar countries. This does not mean that the allocation is sacrosanct. It is, for instance, certainly arguable that bigger expenditure on the prevention of tuberculosis by local health authorities would save a far larger sum on the expenditure by hospital authorities on sanatoria. But the big share of resources allocated to the hospitals reflects the advance of medical knowledge and increased specialisation, and cannot rapidly be altered. Changes must come about, Mr Farrer-Brown emphasised, by decisions on marginal questions. Although these are not unimportant, they cannot change the main pattern quickly.

Whether value is being obtained for money is much more debatable. Nearly all those who read papers spoke of the economies that would accrue if the health service were unified instead of divided into three separate administrations. In his paper on manpower, Mr Goddard declared that a large part of a nurse's time was wasted on unskilled or administrative work or, in out-patient departments, on



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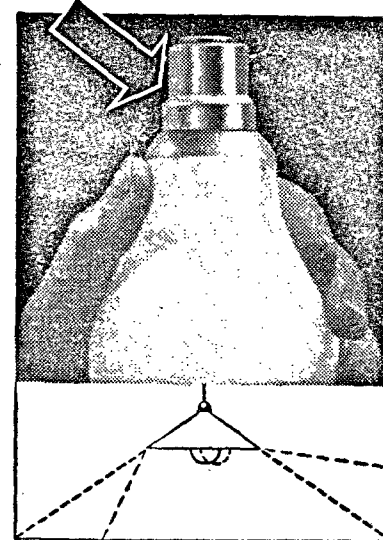
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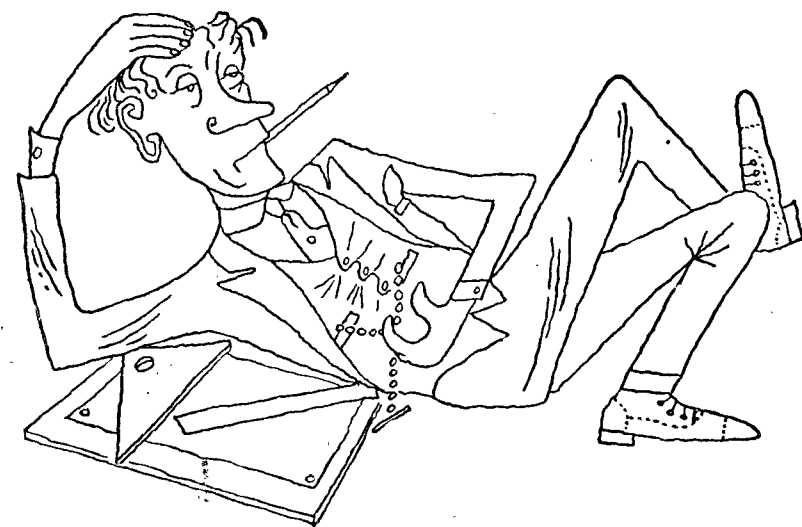
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doing nothing. Moreover, it is widely believed that a great deal of proper nursing duties, such as the routine taking of temperatures and pulses, could be dispensed with, and much the same could be said of some medical investigations and treatment.

Unfortunately, although the papers were mainly concerned with one aspect or another of the hospital service, they did not discuss fully the question of organisation, although one or two of them touched upon it. Under the present system, those who actually spend the money cannot be called to account for it by the users of the hospital or the taxpayer. Responsibility is divided, and it is no one's interest to see that waste and inefficiency are stamped on. Without some drastic reorganisation of hospital administration, the hospitals will continue to struggle along from year to year, spending large sums and asking for more, and the taxpayer can do nothing but complain and foot the bill.

Kenya's Emptying Kitty

THERE is no secret about the object of the visit to London now being made by Mr Vasey, the member for finance in Kenya's Executive Council. He is hoping to negotiate the loan or grant-in-aid which is now so badly needed to make good the colony's budget deficit. Last week, presenting the estimates for revenue and expenditure for the first six months of 1954, he showed that by the end of June Kenya's revenue balances will have fallen from nearly £9 million to under £5 million in a period of eighteen months. This is the measure of the direct cost of the emergency. Both this year and during the first half of next revenue will probably almost exactly match other expenditure. Kenya's general prosperity has not yet suffered from the emergency as badly as the pessimists foretold, and government revenue is not expected to fall next year. Nevertheless, there will be a deficit of £2 million in 1953 and another of £2 million is forecast for the first half of next year.

There are three ways of stopping this deficit and the consequent danger of inflation. Taxation could be raised; but this might inhibit the agricultural and economic expansion on which the colony's future depends. Social services and other development plans could be drastically cut; but these are essential elements in the political strategy of the campaign against Mau Mau. Or help could be given by this country. If it is not given, there is little hope of bringing to fruition the reconstruction plans outlined by the Governor last month. Mr Lyttelton has no choice but to say, as he has already done, that Britain will stand behind the colony if need can be shown.

Stretching the Intelligence

PEOPLE have grown so accustomed to being harried by intelligence tests, at eleven or at the threshold of the army or of many civilian occupations, that they have come to believe not only in their efficiency—at least for others—

but also in the absolute fixity of each individual's endowment. The bag of intellectual tricks with which the infant is born is his total complement until death. The validity of this concept of intelligence has been questioned fairly often by the experts, but their doubts did not reach the outside world. Now two articles in *The Lancet* of October 24th crystallise the objections to this assumption of a fixed quantity of intelligence. The immutable can now change; it can expand if it is stretched.

The idea that an individual's IQ can grow over time revolutionises some of the current opinions about the measurement of intelligence, particularly about those tests which in measuring intelligence now attempt to predict attainment hereafter. It appears that far from being a fixed quantity, intelligence can vary considerably during a person's life. Tests taken over a period on people of "superior intelligence" and on a group of mental defectives revealed considerable changes in intelligence, and in the case of the intelligent group the tests were made comparatively late in life. Of the mental defectives several blossomed out into quite normal people, particularly when they were removed from an environment which was seriously adverse to their development. Indeed it appears from this series of investigations that during the formative years it is the exception rather than the rule for a person's IQ to remain constant.

This is encouragement indeed, even if it must cause some uncomfortable heart-searchings in those who have been putting their faith in these tests. The new findings do not mean that all intelligence tests should be scrapped; they are, at present, more valid than any other method of assessing a person's intellectual ability. But they are not final.

Dilemmas for Persia

ANYONE who broaches today in Teheran the sore subject of oil is told at once that nothing can be done unless some third party acts: at best, it must make a proposal, at least it must entreat the Persians to make a move. Otherwise national pride is at stake and the government is impotent. The Persians, therefore, face a dilemma. They now know from the State Department's oil consultant, Mr Herbert Hoover, junior, that their oil is a drug upon the market; that Dr Mossadeh halted their best industry at a time when neighbours of Persia were only too well able to take its place; and that, to get it moving on a scale that will give them the revenue they need, they must consent to foreign participation at least in marketing the oil. Yet General Zahedi is caught between a Mullah to his right, thundering that he must not cede an inch to foreigners, and liberals to his left who say that he must earn oil revenue if Tudeh is to be kept at bay.

Most men, caught in such a position, would take a chance in one direction or other; but Persians have been accustomed for so long in international affairs to the role of the wooed that they have forgotten how to play a more active role.

In home affairs General Zahedi and his colleagues face a lesser but similar conundrum. Shall they or shall they not try Dr Mossadeh? To do so gives him a chance to

exercise in the box and before the world his famous histrionic talent; to refrain from a trial suggests that they hold back out of weakness. The most prudent thing to do would be to take a leaf out of Malenkov's book and pop him into the *oubliette* with Beria.

Peking's Bait for Japan

THE barter "trade agreement" recently concluded in Peking by an unofficial group of members of the Japanese Diet is another move in the campaign, sponsored in Japan by both Communists and leading business men, for the loosening of current restrictions on the export of strategic materials to Communist China. The present agreement provides for a substantial quantity of Japanese exports, of which 35 per cent are to be goods now definitely subject to the ban on trade in strategic materials, 25 per cent goods not subject to any restriction, and the remaining 40 per cent in doubtful categories. The agreement being on a barter basis, the Chinese have tacked the supply of materials most desired in Japan, such as coking coal and iron ore, on to the most obstructed section of the proposed Japanese export list in order to step up the pressure for removal of the controls.

There is, of course, no difficulty in the way of exporting consumer goods from Japan to China, but for Peking's determination to give priority to capital goods required for industrialisation, including armaments. In Peking's comment on the trade negotiations it is explained that the Japanese must not think that they can, as in the past, "procure Chinese goods of high economic value for goods of little economic value not needed by China."

Chinese Communist policy in relation to Japan is to use Japanese industry's need of raw materials from China as a lever both for obtaining currently prohibited supplies of capital goods and also for modifying Japan's foreign policy. Tokyo is informed that

if Japan were to sever relations with the Chiang Kai-shek gang, free herself from the onerous position of a satellite of the American aggressors and become a peaceful and independent state, then normal relations could be established between China and Japan.

The present Japanese government is not willing to repudiate its existing treaty commitments for the sake of an uncertain commercial advantage, but there are many on both the left and the right of Japanese politics who listen gladly to the siren voices from Peking.

A Nineteenth-Century Perspective

By taste, talent, and sheer longevity, Lord Samuel is an especially suitable person to survey, in the widest terms and the longest perspective, secular changes in the climate of opinion. In the Hibbert Centenary lecture, now published,* he contrasts the preoccupations of 1853 with those of today. He notes those questions, then actively controversial, which have been settled: slavery, the duty of the state to intervene in the economic process; the authority of science in its own domain; the extent of the suffrage. He assesses, in defiance of all pessimism, the gains that these changes have brought. He isolates the questions unsettled from that time

to this—notably international and inter-racial relations—and the new problems of our own century: in the economic sphere the balance of world population and world subsistence, in the social sphere the divorce of work and leisure and the threat to the family.

Progress, Lord Samuel affirms, has been real, but remains conditional and precarious; one recalls the saying that the most civilised of states is no further from barbarism than the most polished steel is from rust. Continued progress, escape from the threat of decline and catastrophe, depend not on abstract "forces" but on the "perceptions, characters, ideas... action or inaction" of individual men and women, singly or in groups; and therefore, ultimately, on the quality of their philosophy and religion.

Even so brief a summary of an already highly distilled argument shows that Lord Samuel's standpoint is essentially that of the nineteenth century. The individual is an individual, not a bagful of psychological Kilkenny cats; reason is the Logos, not a rationalisation of infantile urges; above all, society is what men make it, not what "historical process" dictates. Lord Samuel does not argue these questions; he either states without argument or leaves his public to infer for themselves. Surely, however, it is here rather than in the overt subject-matter of current political and social debate that the main change is to be found between the nineteenth and the twentieth century outlooks. Whether this change, however deplorable pragmatically, matters so much as the less recondite shortcomings of greed, pusillanimity and sheer dimwitted confusion, of which no

* "A Century's Changes of Outlook." By Viscount Samuel. Cambridge University Press. 22 pages. 2s. 6d.

Russia and the West

It seems certain that hostilities have actually commenced at the seat of war—that there has been an affair of outposts—and that the Turkish troops have crossed the Danube in force. . . . All parties must, we think, be desirous of a peaceful solution of the difficulty—the principals first, the seconds scarcely less. Russia must be anxious to back out, if it can be done without humiliation. The mistake she has made must be as obvious to herself as to the world. The whole public opinion of Europe is against her. . . . The Czar has succeeded in doing what scarcely any one else at the moment could have managed so effectually, and which assuredly was about the last thing he wished to do—has united in a cordial and honest understanding the two great nations of the West, the only two from which he can dread any serious check or any permanent control—the two Powers from whose alliance he has everything to fear, from whose misunderstandings he has everything to hope. He must be most desirous to retrace such a step—to undo and escape from such a blunder. But a great Potentate and a proud man may be willing and resolute to persist in error and in wrong, if the way out of it is made too difficult or too humiliating. It is scarcely ever worth while to inflict *shame* upon a powerful foe: it rankles longer than even discomfiture or injury. If, therefore, Russia be as we suppose really desirous to concede what is required in order to settle the dispute, we do not think it unreasonable in her to ask that the appearance of threats or force should be withdrawn in order to enable her to retreat with comparative ease and honour.

The Economist

November 5, 1853

century has a monopoly, is perhaps doubtful. But a survey which ignores it, however well-proportioned, lucid and just, somehow fails to achieve a complete relevance to the current Age of Anxiety.

Better Holidays for Good Europeans

THE raising of the travel allowance from £40 to £50 is very welcome for its own sake, and also because it is part of the Chancellor's policy of making the British "good Europeans." But has Mr Butler been generous enough?

As the average British tourist abroad spends less than £40 in any case, the present concession will cost very little in foreign exchange—a mere £2,000,000 in a full year. Even in 1951, when the travel allowance, until November, was £100, the average tourist still spent only some £40 to £45 including his fare, which means that he only spent about £25 in the countries he visited. Businessmen are responsible for much of Britain's expenditure on travel, and this part of the account is unaffected by changes in the allowance. Thus when it was reduced to £25 at the beginning of 1952, the effect on total travel expenditure was small: it fell from £104 million in 1951 to £82 million in 1952. Nor will the extension of the allowance to cover 18 more countries, including Russia and Eastern Europe, make any appreciable difference to tourist spending. Travel behind the Iron Curtain is still restricted by the difficulty of getting visas—and those who can get the visas are those who, broadly speaking, need no allowance.

If it costs little in foreign exchange to raise the allowance to £50, there would presumably be little increase in tourist spending if the limit were abolished altogether. The cost, such as it is, would be a small price to pay for the greater personal liberty of unrestricted travel. The serious obstacle to removing the controls is that it would permit movements of capital under the guise of tourism. But at least the allowance could be raised to the point where the limit was inoperative for almost everyone but the mover of capital.

Blue-Shirts in Madrid

LAST week about 150,000 blue-shirted Falangists converged on Madrid to celebrate the twentieth anniversary of the founding of their party by José Antonio Primo de Rivera on October 29, 1933. The Falange national congress, of which these birthday celebrations formed the colourful climax, was the first to be held since 1939. But the proceedings and the speeches do not seem to foreshadow any important changes in General Franco's domestic policies to match the altered course in foreign policy represented by his recent agreement with the United States.

In recent years the Falange has deliberately been kept in the background. Its ardent members hoped, therefore, that the congress would herald their return to the seats of power. On the other hand, those who have been advocating more liberal policies hoped that the congress might prove to be the Falange's swan song. Both have been disappointed. Franco reaffirmed the Falange's position as the only authorised political force in Spain; but he did not offer it a greater share of political influence. He has stayed in power largely because of the success with which he has

played off the different contending forces within Spain one against the other. He is not likely to upset the equilibrium now by unduly encouraging any one of them.

Some of the resolutions adopted by the congress—such as demands for "a more just regulation of wages," for swifter agrarian reform, and for more equal distribution of wealth—reflect the interest in social and economic reform that has always characterised some sections of the Falange. They also hit the nail on the head; in spite of some wage increases and a slight drop in the cost of living in recent months, wages in general continue to lag dismally behind the rising cost of living. The Falange's espousal of the workers' grievances, however, will not necessarily win it their support; in the workers' eyes the movement is too closely associated with the Franco regime. In fact the pronouncements of the party and the actions of the government are two entirely different things. But General Franco may well prefer that the Falange rather than his political opponents should be the mouthpiece of popular discontent.

Self-Righteous Herr Doktor

DR ERHARD, confirmed in office as Dr Adenauer's Minister of Economics, gives the tiresome impression that he is trying to teach Britain, the rest of western Europe and the United States that the Germans under his ministrations have become the moral-economic leaders of the OEEC countries. In the process facts are becoming distorted. In a recent very one-sided account of German recovery in export markets, published under his auspices, the essential part played by American aid is not given its due place, while the British are shown quite unfairly as intent on keeping a competitor down whatever the cost. Dr Erhard himself has been proclaiming that the OEEC members must now follow the German example, and have the courage—it seems that no more than courage is needed—to throw exchange controls to the winds. This, he says, is Europe's hour of destiny. The Council of the OEEC received his speech to this effect last week with poor grace.

Fortunately for Germany the heads of the *Bank deutscher Laender* and the Minister of Finance, Dr Schaeffer, realise that something more than courage is needed before any drastic form of convertibility can be risked. Indeed, they are over-cautious in taking the first steps. Germany's large reserves of foreign exchange, and the need to attract back foreign capital, would have justified a less niggardly decision on the transfer of earnings from foreign investment than that recently made by the financial authorities.

Dr Erhard is on stronger ground when he and his supporters in the German industrial world criticise the method of co-ordinating European economies sector-by-sector that the coal-steel community has inaugurated. They demand wholesale integration, with policies co-ordinated in all financial, commercial and social fields, and an all-embracing customs union. Without actually mentioning France, they declare that no one country should any longer be allowed to maintain an artificial rate of exchange at the expense of its neighbours. This excellent advice will be appreciated in the United States, when Dr Erhard goes there shortly; but the fact remains that Germans should not distort the causes of their recovery and should bear in mind that they are, in any case, not the best people in the world to lecture the French or the British.

Letters to the Editor

Milk Marketing

SIR—I was not surprised at the tone of your comment on my address the other day, because you seem to be most unsympathetic to any proposals that farmers should make use of the Agricultural Marketing Acts to improve the marketing of home produced foods. But in your comment on milk you seem to me to have very incomplete understanding of the facts and this is surprising for a journal of your standing.

You refer to the Board's success in manipulating the milk market to get higher prices for producers. If by "manipulation" you mean improving the efficiency of production and marketing, I agree.

In 1933, a time of dire depression, it was vitally necessary, if production of milk was to continue, to raise producers' prices. The Board succeeded in this, although between 1933 and 1939 consumer prices increased no more than the general index of food prices, and during that time the distributors prospered. No independent commission has found that the Board exploited the situation and used its powers unfairly at the expense of the consumer. Most have paid tribute to the value of the Board's work to the industry as a whole. Incidentally, the Board does not insist on fixing retail prices of milk while Government subsidies continue and producer prices are guaranteed.

You query the justification for resur-recting the marketing powers of the Board when producers are protected by the Government price guarantees. In your last paragraph you prophesy that the Board would rather shelter behind Government subsidies than deal with the problems that face the industry. In my remarks I made it abundantly clear that we believe the only ultimate protection to the industry lies in efficient production supported by enterprise in marketing, and we believe that even the guarantee of prices by the Government will not do the industry much good in the long run without these.

In the final paragraph you pick on some important matters which can only be argued at length but not in a short letter. But I cannot let pass the point you make on quality milk, because you must be badly misinformed. The incentive to producers must be adequate otherwise the proportion of TB-free milk would not have been raised from 6 per cent in 1939 to over 50 per cent of the total output in England and Wales in 1953, and the figure is still higher for Scotland.

Similarly although you doubt the ability of the Board to expand the liquid

market, I must point out that in the first six years of our operations we were able to increase liquid demand by 20 per cent.

In the light of our experience and the need of the situation as we see it in the future, this marketing organisation with its record of success and achievement must, I feel sure, have a big part to play under conditions of greater freedom in the milk market. Other suggestions have been made, but they generally involve more rather than less controls. You suggest that the Government should aim higher in milk policy. Does this mean that you favour public ownership, or control by public authority, possibly the continuation of the Ministry of Food, or merely a free for all? Tell us what you suggest, but please get the facts right first.—Yours faithfully,

W. R. TREHANE, Vice Chairman,
Milk Marketing Board
Thames Ditton, Surrey

[To get two facts right first, the Cutforth Commission (1935) was highly critical of the Board's powers and wanted milk prices fixed by an independent authority. The Williams report (1948) said specifically that "it is wrong for control of the industry to be in the hands of sectional interests." Secondly, freedom from tuberculosis is not by itself a full test of the quality of milk; the incentives for quality are still inadequate—for instance, there is no premium for butter-fat content.—EDITOR.]

BBC Goes VHF

SIR—Your article of October 24th makes the claim that FM sound is more efficient than AM sound. To show that this is debatable, it is only necessary to point out that the FM scheme apparently requires more transmitters than are needed to cover the country with AM sound on television service.

There are two further points which should be corrected. It has been reliably estimated that it will cost the customer an additional £7 to £10 for a radio set having a satisfactory built-in VHF circuit. Considering that the average run of radio sets that are sold in large quantities cost between £15 and £20, this represents an increase nearer 50 per cent than 10 per cent on the price.

Secondly, the article states that experimental services have been tried in other parts of the world; it would be nearer the truth to say that for up to fifteen years public services have been running in many countries, including one or two European countries. With one exception, these services have been a complete failure. This failure is due simply to the fact

that the increased price of the receiver makes the service appeal only to a very few.

Finally, if you consult any members of the retail trade, you will find that they would prefer money to be spent on alternative television services—maybe even in colour—rather than on a limited market for expensive, high quality sound broadcasting.—Yours faithfully,
N. A. TWEMLOW
Pye, Ltd., Cambridge

Private School Paradise

SIR—Your Note of October 24th, in stating that Surrey parents' "predilection for paying school fees is no reflection on the local education authority but a mirror of the county's attraction for the middle class," presents a one-sided picture of the situation.

I can speak only from knowledge of schools in this locality, but here it is the case that the primary school teacher-to-pupil ratio runs to worse than 1 to 50. What chance has any but an exceptional child in such circumstances—and, indeed, has a teacher?

Even a clever child might be forgiven for falling by the wayside if an ill-timed absence caused him to miss a vital stage in the curriculum, for there can be little opportunity for that extra individual attention which would enable him to "catch up" again. Add to the above facts parents' awareness that passes for grammar school are, in some cases, as low as 1 in 10 pupils and it becomes apparent that a desire for a private school "gloss" is by no means the only motive in a parent's mind. Surely any parent, seeing his child suffering under such disabilities, will try to make the effort to place him in a private school with an average teacher-to-pupil ratio of 1 to 17.

It is high time that the authorities realised their grave responsibility for shortcomings which will have repercussions for decades to come, and pressed their claims for the priority for education which will enable this lamentable state of affairs to be corrected.—Yours faithfully,
G. JOHNSON
Coulston, Surrey

Services not Servants

SIR—Your amusing article on American household services seems to imply that automatic central heating is a novelty barely known in this country. This is hardly fair to British heating engineers, who have been installing automatic oil fired boilers, in private houses as well as commercial buildings, for over 20 years.

I myself had an oil fired boiler, for central heating and hot water supply, installed in a small Worcestershire farm house in 1933, with all the automatic devices of thermostat and electric clock which your correspondent describes with such enthusiasm.—Yours faithfully,
MICHAEL HOPE
Birmingham

Books & Publications

Downward, Christian Soldiers

THE NEMESIS OF POWER: *The German Army in Politics, 1918-45.*
By John W. Wheeler-Bennett.
Macmillan. 829 pages. 50s.

MR WHEELER-BENNETT'S long studies in German subjects are celebrated. For he moves like a connoisseur through the diplomatic and military history of Germany since Emperor William left it, fascinated by events and persons that he fears and dislikes, but finding much to wonder at or admire. He has wormed out the truth about Hindenburg, the wooden titan; recaptured the spirit of Brest-Litovsk as a crisis in Soviet-German relations; summed up the Munich tragedy with great power; and now turns to the Great General Staff. This is the latest of four interlocking books that present an epitome of the history of Germany's thirty years in the wilderness, history partly dug out of documents and letters, partly collected in day to day scrutiny and experience of events.

The book is too long, but the elegant style, the power to recreate people and situations, quickly carry one from the admirable General Groener, who saved the Republic in 1919, to the despicable General von Schleicher, who wrecked it in 1932. And then one must go on 400 pages to the end, to the ghastly picture of old Field-Marshal von Witzleben taking five minutes to die, suspended from the meat-hook that Hitler ordered for his rebellious generals, and to the final and deepest humiliation of the officer corps—the order issued after the plot of July 20, 1944, by General Guderian, in obedience to the Fuehrer who gave him dead men's shoes:

I expect every General Staff Officer immediately to declare himself a convert or adherent to my views and to make an announcement to that effect in public. Anybody unable to do so should apply for his removal from the General Staff.

No chief of a general staff could issue such an order unless he knew that most of its officers had been corrupted by years of compromise with evil, obedience to a crafty tyrant and selfish careerism. The best part of the book is the story of those years. It tells how the Army allowed the blackshirt SS to do its dirty work for it in the horrible purge of Roehm's Brownshirts in June, 1934; how shortly afterwards the officers took the oath of "unconditional obedience" to Hitler, which later so chafed their consciences when they saw the methods of Genghis Khan being copied in Poland and Soviet Russia; how men like Generals Beck and von Fritsch were removed to make way for the lickspittle

Keitel and the temporising von Brauchitsch; how Hitler pushed these superbly trained men into a "technicians' quarantine" where they plotted politics while he planned battles.

As a work of historical art the book has conspicuous faults. Its shape has been determined too much by those matters on which evidence is most plentiful and most interesting. The last third of it is virtually a history of resistance to the Nazis, giving much detail about events that have little to do with the declared theme of the book; for example, the argument about the motives of von Moltke-Kreisau, many of the character sketches (good though they are) and much of the data on peace-feelers and contacts towards Britain. Little or nothing is said about the effect of Nazism on the rank and file of the Army, the relations between Army and SS divisions in the field and at home, the remarkable social and mental effects—to be observed in Germany now—of Hitler's humiliation of the officer class. Mr Wheeler-Bennett likes, it seems, to study his history only at the "highest level."

It looks, indeed, as if he had a number of episodes on which he was eager to write the best and the last word, chose the army in politics as the central theme, and then found that the episodes did not make a well-balanced play. But it really does not matter. The quality and scholarship are there and three of the episodes are superb. Best of all is the study of von Schleicher, wrecking from his office the whole relationship on which Weimar Republic and Army had flourished together, unconsciously smoothing the way for Hitler while convinced that he himself was directing events. Also excellent is "From Stalin-grad to Normandy," where the ramifications of the military and civilian conspiracy against Hitler are traced with notable clarity and a moving charity of mind; and next comes "From Fritsch Crisis to the Outbreak of War," which makes it even harder to decide what Britain and France could have achieved by resisting Hitler in 1938. Incidentally, this book establishes beyond doubt what could have been done had they opposed the return of German troops to the demilitarised Rhineland in 1936.

Mr Wheeler-Bennett's tone is restrained and cool; he sets out fairly the noble and strong elements in these Germans, only to sorrow at their hesitations and to mock at their hypocrisy. His moral judgments come, as they should, as the inevitable climax of

evidence. But one wonders here and there by what standard he is measuring these unhappy men. Their predicament is perhaps one that has not faced a British staff officer since the Irish troubles; it behoves us to be cautious in judgment. What is remarkable is not so much the moral failure of these men as their lack of resolution or independence. There were noble characters among the July conspirators, and many broad minds in the narrow uniforms; but the average mentality to which they had to appeal was that which "thinks with its hand on its trouser seams."

Yet Germans can be proud of the gallant Major General von Tresckow, who said in 1944 under the shadow of the meat-hook: "We have done the right thing. Hitler is not only the arch-enemy of Germany, he is the arch-enemy of the whole world."

Duff Cooper Remembers

OLD MEN FORGET.

By Viscount Norwich.

Rupert Hart-Davis. 399 pages. 21s.

WE are not likely to get a more candid account, or a better written one, of the British Government in the throes of the Munich crisis than in these memoirs of Lord Norwich. As a politician, Mr Duff Cooper (he prefers his commoner's title throughout the book) had a reputation for indiscretion as well as for courage, and he now puts forward many passages from the detailed diaries he kept during the years leading up to his resignation from the Admiralty the day after the Munich settlement was announced.

There is much here to fascinate the historian. The extent to which Chamberlain hugged the power to himself in those fatal days, acting alone or on the advice of a few chosen colleagues, has never been more clearly shown. The Cabinet were told of his decision to visit Berchtesgaden only after the telegram had gone off to Hitler. At the peak of the crisis, when Chamberlain was at Godesberg, and it was decided that the British Government could no longer advise the Czechs not to mobilise, not the full Cabinet but a group consisting of Lord Halifax, Lord Simon, Lord Templewood, Mr Malcolm MacDonald and Lord Inskip, were called together. The First Lord of the Admiralty, worried not only by his responsibility for the Fleet, but by the possibility of having to divert merchant shipping from the Baltic, was reduced to ringing around Ministers' offices to find out what was happening. Even this had no effect. "With some difficulty I got on to the Cabinet Office and spoke to Ismay," writes Duff Cooper. "He told me that he himself had given my message to Tom Inskip, who had immediately got up and gone home to bed." The actual terms of Munich, which brought his resignation, were learnt by Mr Duff Cooper from the newspapers.

The Prime Minister's behaviour owed much, no doubt, to his own character and to his distrust of the resistant wing of his own party; but there was more

to it than an accident of personality. These memoirs provide the clearest evidence that has so far come to light of the degree to which the Cabinet system in its modern form tends to concentrate power in the hands of the Prime Minister and one or two of his most trusted colleagues. The pressure of business means that more and more decisions are reached in Cabinet committees, and the full Cabinet becomes more and more a ratifying body. This development has usually been ascribed to wartime influences, but it was already in full swing in 1938. The dispute between Mr Chamberlain and Mr Eden over policy towards Italy was conducted in the foreign policy committee, and the full Cabinet learnt of it only when the Foreign Secretary's resignation had become inevitable. (Mr Aneurin Bevan may have some interesting comments to make in due course of how this system operated when the Labour Budget of 1951, which led to his resignation, was in preparation.)

Mr Duff Cooper is equally forthright about his struggle, as Ambassador in Algiers and Paris, to get the British and Americans to recognise that General de Gaulle would inevitably be the real power in France after the liberation. Sir Winston Churchill's attitude he ascribes to dislike of the General, but the American view reflected, he suggests, a lingering intention of "going back to Vichy." He adds:

It would be interesting to collect historical instances of harm that has been

done by the reluctance of men to accept readily what they know they will have to accept in the end.

Charles James Fox was one of Mr Duff Cooper's early heroes, and something of his spirit animates these pages. The fustian of politics is interwoven with a gilded thread of the dinner parties and country weekends, of Bucks and Venice and the Riviera. And surely the shade of Fox was looking over Duff Cooper's shoulder when he penned his glowing passage in praise of wine; or when, haunted by fear that Chamberlain would yield even after Poland was invaded, he noted in his diary on September 2, 1939, "we went to the Savoy Grill. I felt I could eat nothing—but dealt very successfully with a cold grouse."

It was probably a mistake for Mr Duff Cooper ever to have left the Foreign Office for politics. He was never an outstanding politician, despite his courageous gesture in 1938. But he was a good ambassador. The parts of his book dealing with his ambassadorship have a surety about them which the rest lacks. His acute powers of observation, his willingness to face unpleasant facts, the clarity of his writing, his sociability, were all assets which fitted him for this role. Had he remained in the diplomatic service he might have exercised a greater influence on events than was ever possible to him in the struggle for power at Westminster.

Somervell on Young on Baldwin

STANLEY BALDWIN. *An Examination of some features of Mr G. M. Young's Biography.* By D. C. Somervell. Faber. 135 pages. 8s. 6d.

IT is not with the literary merits of Mr Young's biography that Mr Somervell is concerned. He is outraged that, dealing with a figure who has become unpopular in retrospect, it leaves out so much of what should have been said in his defence, and he fears lest, since it is an "official" biography, posterity will conclude that there was no more to be said. His chief complaints are two, a general and a specific. The general complaint is that far too much blame is left by Mr Young resting on Baldwin for the wishful thinking, the blind sloth, of a generation which he admittedly epitomised but which he could not have changed. Mr Somervell hardly establishes this thesis. One may think that Mr Young was oddly lukewarm in defence of his client and still believe that the verdict was sound. It is a sufficient defence of the man-in-the-street to say that his attitude is entirely typical of the rest of his generation. But Baldwin was Prime Minister, and the charge against him is that he accepted the state of opinion and did nothing to change it. Mr Somervell brings as little evidence to rebut this as Mr Young did.

With the specific matter, the case is otherwise. This is the charge, to which

Sir Winston Churchill has lent his authority, that in his "appallingly frank" speech of November, 1936, Baldwin confessed to having put his party before his country. Mr Young implied that he thought there was something in this, and even Mr Somervell is rather hesitant about it. But nobody who now reads the whole of the speech of November, 1936, and who remembers the circumstances in which it was made, ought to have the slightest doubt what it was that Baldwin was saying. "We were returned to office," he was saying, "in 1931 on a pledge of economy. To be released from that pledge and to start rearming when Hitler seized power in 1933 would have required a dissolution. But the East Fulham by-election showed that we should have been beaten and a pacifist Labour party would have been put in office, which would have damaged any party without advancing the cause. Clearly the only thing to do was to wait until we could get a mandate for rearmament, as we did in 1935." This is not perhaps particularly noble, but it is perfectly proper. On this count, Baldwin deserves a complete acquittal.

The oddest part of the whole affair is that neither Mr Young nor Mr Somervell puts any weight on the episode of Baldwin's life that most became him: the stubborn stoical self-control with which he kept silent from his retirement to his death.

The Philosophical Revolutionary

WILLIAM GODWIN AND HIS WORLD. By Rosalie Glynn Grylls. Odhams. 256 pages. 21s.

ENGLISH life has its special way of making revered old men out of the most scarifying revolutionary writers. As a bachelor of thirty-seven, William Godwin startled, shocked and inspired the England of 1793 with a work on *Political Justice* that assaulted all political and social conventions; he ended his days forty-three years later as the pensioner of a Whig Government and a much-visited sage. In between he had married twice, had failed hopelessly as a dramatist, a publisher and a father, and his hubris in explaining the fallacies of the marriage contract had brought down on him the supreme penalty of acquiring Shelley as a son-in-law. He was an individualist—even orchestras were condemned as an offence against individual expression. He was also an optimist, men being kept from something near perfection only by temporary impediments. These impediments included all political institutions, which must be dispensed with as men developed frankness of speech and universal benevolence of action. This would come with universal education and the end of work. Like contemporary thinkers on the Continent Godwin imagined that the coming of the machine age would finally solve the problem of work—"machines will be our helots"—and men would have to put in perhaps

When the meal's an occasion . . .



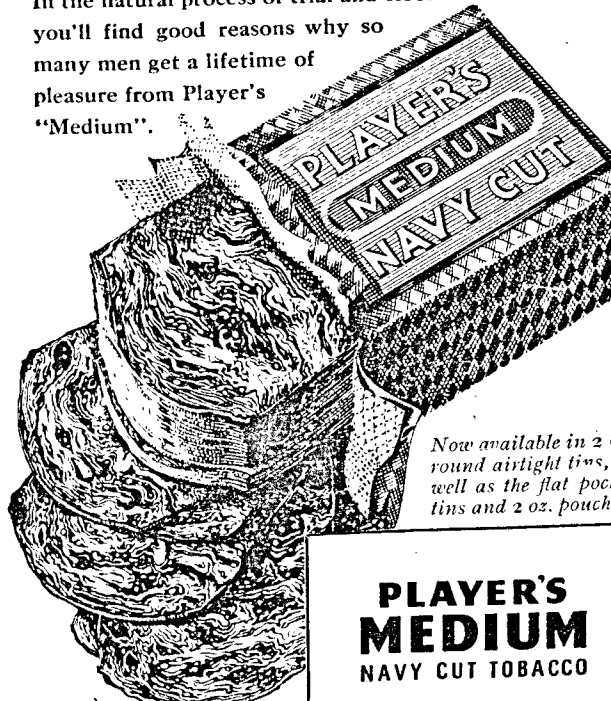
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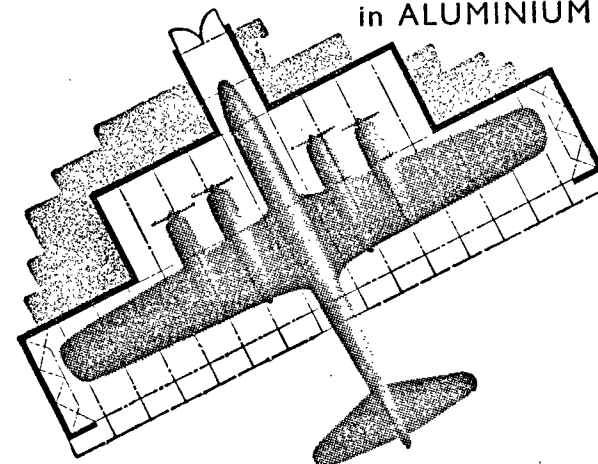
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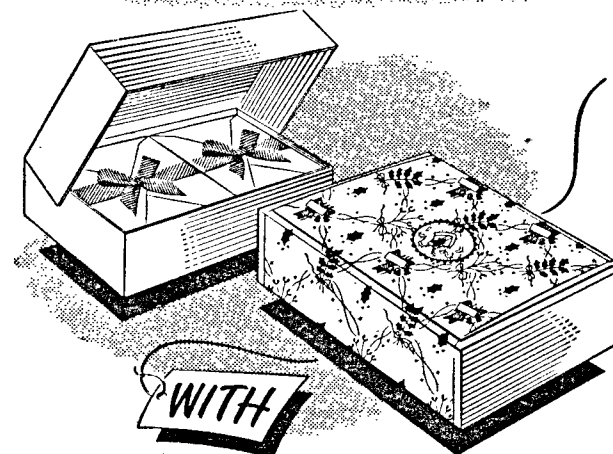
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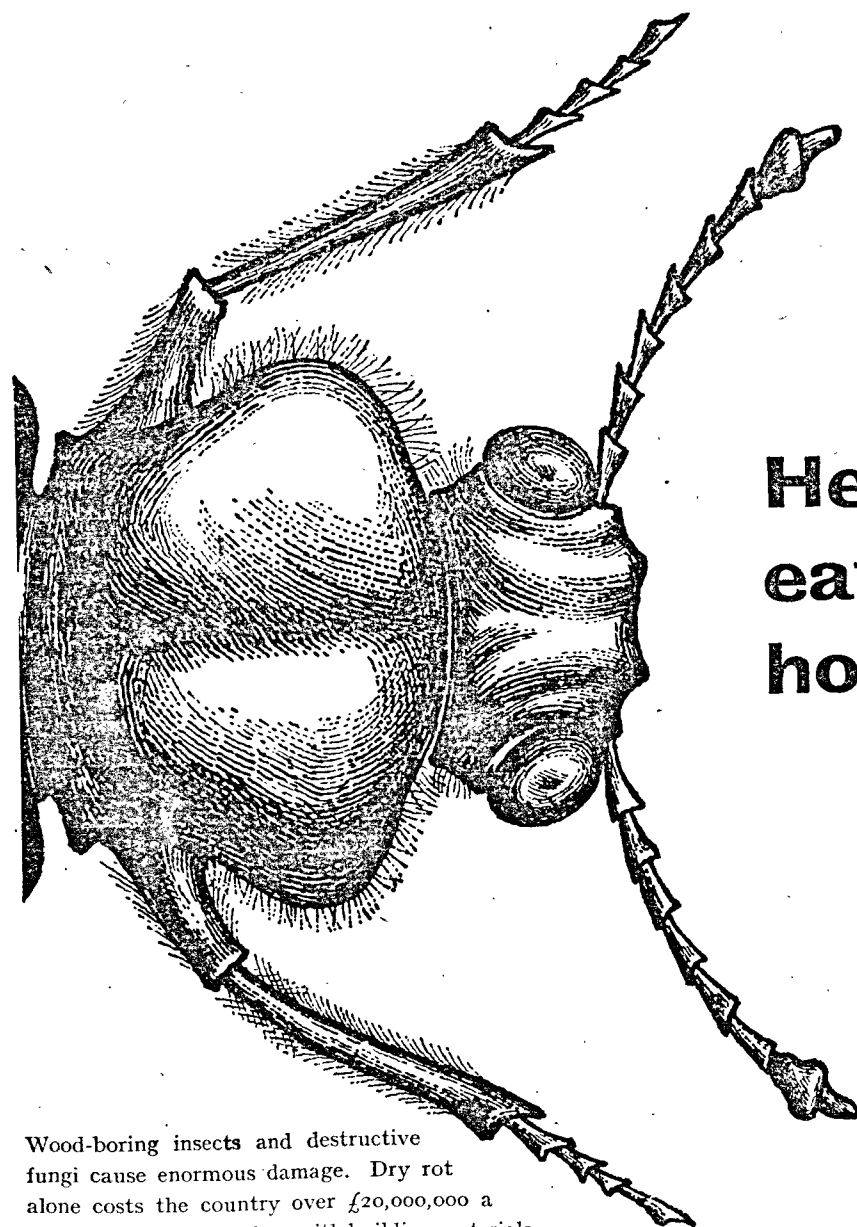
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half an hour a day (an estimate subsequently revised to two hours).

Miss Grylls's book is not a life or a history of Godwin's thought, though both are sketched. Instead she has tried one of the most difficult of literary tasks: to recapture the intellectual climate in which he lived. There are passages in which she brilliantly succeeds and there are many pleasing touches, but the account becomes too often merely a catalogue of Godwin's social acquaintances. She has found interesting new material about some of the minor characters, but here again it is brought in in a way that adds to the discursiveness of her general manner. Moreover, Miss Grylls has a habit of making facile comparisons with the present day. By so doing she is not bringing the early nineteenth century any nearer to her readers.

Still, Miss Glynn Grylls deserves to be read, because Godwin deserves to be remembered—as a personality in his own right and as an influence on later, more practical political thinkers—and more people are now likely to read her than to read him. Without the brilliance of Mr Brailsford in his "Shelley, Godwin and their Circle," but with her own enthusiasm and occasional wit, she has passed in review a gallery of very English intellectuals.

That Unfortunate Movement

THE FRENCH REVOLUTION.

By A. Goodwin.

Hutchinson. 192 pages. 8s. 6d.

"THAT reminds one of the worst excesses of the French Revolution. And I presume you know what that unfortunate movement led to?"

Mr Worthing was too much embarrassed to answer the Old Regime as represented by Lady Bracknell. But the reader of Professor Goodwin's book will at least know what led to the Revolution; for in 180 pages he examines its causes and discusses the course it took. His account of the coming of the revolution is similar to Georges Lefebvre's: it begins with an attempt by "Privilege" and Provincialism to block essential administrative and financial measures belatedly proposed by Louis XVI's Government. The desperate efforts of de Brienne and Lamoignon to avert bankruptcy were frustrated in 1788-89 as M. Laniel's are today: the nobles, the hereditary legal officials, and the champions of provincial autonomy, may be said to have tried to start a counter-revolution, which was intended to anticipate, but actually precipitated, the most dramatic revolution in history.

Up to October, 1789, when a riotous mob insisted on escorting both King and National Assembly from Versailles to Paris, Professor Goodwin's story is as clear as it is necessarily concise; but after that, the general reader who has, in the publishers' words, "made no previous study of the particular subject," is likely to feel bewildered, the victim rather than the student of a revolutionary

movement, carried along by the stream and confused by the cross-currents of events which are not self-explanatory, and which no author could hope to explain in such restricted space.

The reader who knows the story will derive pleasure and profit from this scholarly interpretation of the fall of the monarchy, the war, and the terror; but for the beginner, trying to appreciate the personalities and the deeds of the "men of '93," this analysis of their motives, though informed by the latest research, will hardly be sufficient; he may feel as the disappointed reader of Conrad felt who, having expected an adventure story, complained that it was like listening to people in the next room talking about something happening outside. This is the more irritating when "outside" means bloodthirsty crowds bawling *Ca ira* or the *Marseillaise*, or the angry mutterings of the socialistic "Bras Nus." Nevertheless all that is needed to make this handy and inexpensive book attractively useful to the "unprofessional student" is the addition of a short historical introduction to the years 1787-94.

Potting Parliamentary Procedure

EUROPEAN PARLIAMENTARY PROCEDURE.

By Lord Campion and D. W. S. Lidderdale.

Allen and Unwin. 270 pages. 30s.

THIS book is produced by Allen and Unwin, but we are told that it is published by the Inter-Parliamentary Union. Lord Ruffside has written a foreword. It is a handbook on the parliamentary procedure of twelve European Parliaments (Egypt is in the list) and an attempt has been made, with considerable success, to reduce the information to comparable sections in the chapter devoted to each country. In each chapter the facts are arranged under the following headings: position of members; basic organisation; organisation of time and business; rules of debate; legislation; financial procedure; control of administration; the committee system. Each of these main headings is further subdivided. Thus at a glance the student can learn under Section 1, subsection 4, what are the privileges enjoyed by members in each of these twelve Parliaments. He may learn that in Denmark "A number of free seats in the Royal Theatre at Copenhagen are available to members." Drury Lane kindly copy.

In the Egyptian Parliament—now in cold storage—members' salaries were £468 per annum subject to tax, and attendance was compulsory. This will surprise anyone who believed that an Egyptian MP's life was more profitable and less arduous. Although events in Egypt have made Chapter III of historical rather than topical interest, the book is nevertheless an excellent work of reference for students and others—provided they remember that theory and practice are not always co-incidental.

The chapter on the United Kingdom is a miraculous potting of facts. It is safe to assert that at least half the members of the House of Commons (if it is not breach of privilege to say so) would not obtain 25 marks out of 100 if examined on the contents of these pages. This chapter should be reprinted as a pamphlet and issued to each new member as he obtains his first free railway pass.

Interpreting Asia

THE STATE OF ASIA. *A Contemporary Survey*.

Lawrence K. Rosinger and associates.

Allen and Unwin. 546 pages. 45s.

ASIAN NATIONALISM AND THE WEST.

Edited by William L. Holland.

Macmillan, New York. 450 pages. \$5.

THESE two books are the products of the Institute of Pacific Relations. Between them they provide a comprehensive background to all the developments which have taken place in eastern and southern Asia since the war. Both are the collected contributions of experts, each writing in his own field, and, although most are American, a number are probably as well known on this side of the Atlantic by those who follow Asian affairs as they are on the other. Neither volume is able to carry its account of events right up to the present time; the one edited by Mr Rosinger does not go beyond 1951 and Mr Holland's runs through to about the end of last year. But each book covers the important formative period of change which followed the war, and, while there is some duplication of effort, one is complementary to the other.

The extent to which western ability to interpret events in Asia as well as knowledge of the events themselves has developed during the past few years is suggested by the foreword that Mr Holland, as Vice-Chairman of the institute, has written for Mr Rosinger's book in addition to his own. Writing in 1951, he says that the western world needs to "understand more of what is happening inside Asian countries . . . and not simply to know what is being done to Asia by the outside world." Already in the two-and-a-half years since he wrote those words they have begun to seem out of date. They belong to an era in which interest in Asia was still a good deal narrower than it is today. Today, Asia has become the cockpit of the cold war.

These two books constitute at once a guide for those who do not know Asia well and a source of reference for the expert. Mr Rosinger's book consists of an introductory chapter on the political and psychological state of Asia followed by a series of twelve country studies and a chapter on the Korean crisis. Mr Holland's book is shorter, but deals more exhaustively with the countries of South East Asia proper; it includes a useful section summarising the work and findings of the conference of the Institute of Pacific Relations at Lucknow in October, 1950.



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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.

Protection on the Defensive

Washington, D.C.

IT was some time after the President had announced the theoretical existence of his Commission on Foreign Economic Policy before he breathed life into it by choosing its members. The members themselves then had some difficulty in collecting a staff. In consequence, they did not hold any public hearings until ten days ago, though they had been listening to the Administration's case in private for some little while. When the commission was finally ready to give a performance before an audience it was immediately apparent that the members understood their parts and that those who were already well known to the Washington public, the members of Congress, were playing their familiar roles. The Democrats, by and large, were still supporting the kind of policy the President is believed to want and the Republicans were still opposing it.

Much of the interest of the Washington critics was concentrated on the chairman, Mr Clarence Randall, who has not made many appearances in the capital before but who arrived with an impressive reputation. He was understood to be a fairly recent convert to a liberal trade policy, but nobody quite knew how far his ideas went. However, by what may have been a coincidence but, since Mr Randall obviously has an orderly mind, was probably design, he published a book, on the day before his commission made its first public appearance, in which he made his position absolutely clear.

In a short passage on tariffs he pointed out that the anomaly in American attitudes to Europe was very striking:

Using both persuasion and pressure, we have demanded that trade barriers and restrictive practices of all kinds be promptly removed in order that commerce may flow freely among the various countries. . . . Yet we refuse to apply the same principle in the relationships between the United States and the very same countries. Our own tariff barriers have not only not been materially reduced but, on the contrary, in some instances, have actually been increased. Hanging over each European manufacturer who might be willing to try to sell to us even in spite of our tariffs is the threat that if he is too successful he will have to climb a still higher wall which we will thereupon erect. . . . Champions of free enterprise based upon competition, we refuse to practise it in dealing with the very people who we believe most need to adopt it.

It was against this background that Mr Randall called on interested national organisations to give his commission their views. He was obviously looking for solutions, but it he was given instead by most of the witnesses were imitations. With only two exceptions, the individuals who cared represented groups, of varying importance, who

were earnest believers in freer trade. There was unanimous agreement that foreign aid programmes, however necessary they may have been in the years immediately after the war, have reached the point at which they produce more aggravation than co-operation. There was, therefore, almost equally unanimous agreement that the rest of the free world must now be allowed to earn the dollars that have been given to it for the last few years. But nearly everyone became a little fuzzy when asked how to overcome the practical problems that a lowering of trade barriers would inevitably present.

Unfortunately admirable sentiments by themselves were not of much use to Mr Randall. His commission undoubtedly contains a majority who agree with them, thanks to the views of the seven members chosen by the President and those of the Democrats from both Houses of Congress. But, however large the majority, there remain Senator Millikin and Representative Reed, the chairmen of the congressional committees who must sponsor any legislation that arises from the commission's report, and, as long as they are unrepentant protectionists, there is little hope of anything being done. What were needed were some clear-cut suggestions which, even if not immediately acceptable to the diehards, would weaken their arguments and give the other members of the commission weapons to use against them. Only Mr John Coleman, the head of the newly formed Committee for a National Trade Policy, produced such suggestions in full measure, though the representatives of the two big trade union organisations gave considerable help by expressing their confidence that the problems could be solved without their members suffering seriously.

★

Nobody thought that the elimination, either gradual or immediate, of tariffs was a solution for all the economic problems of the free world. But most people would have agreed with Mr Pierson, of the American Council of the International Chamber of Commerce, who put the renunciation of protectionism as a policy by the United States at the top of the list, followed by the encouragement of foreign investment and convertibility of key currencies. And nobody seemed to agree, until Mr Baruch's views were published, with Mr Cola Parker, the Wisconsin paper manufacturer on the commission, that convertibility must come before anything else. But the real struggle in the hearings and, no doubt, the real struggle behind the scenes was over the extent of the dislocation that a steady reduction, however gradual, of tariffs would cause to American industry and over what could, and should, be done to cope with

its effects. It is a measure of how much the situation has changed, even in recent years, that the argument should now be about how to ease the transition to freer trade and that the protectionists should have been driven back to what must surely be their last line of defence.

Mr George Meany, the president of the American Federation of Labour, ridiculed alarmist estimates of the number of American workers who might lose their jobs if they were not protected, but said that his organisation felt that

where adjustments are clearly unavoidable and are in the national interest, they should be accompanied by special measures to assist both the enterprises concerned and the workers affected.

The representative of the Congress of Industrial Organisations was less optimistic, because he believed that the productive efficiency of many plants abroad was now comparable to similar plants in the United States, while wages remained lower, but he did not question the necessity for lowering tariffs. And he thought that one of the commission's main tasks was to

look at the problem of injury to American plants and production and employment from the standpoint of attempting to solve the problems created by imports through means other than increasing duties, tariffs or quotas.

Neither of these two had come prepared to give specific examples of what they would do. Nor had Mr Meyer Kestnbaum, of the Committee for Economic Development, who told Senator Millikin that people had been moved from areas where there was unemployment before and that it could be done again. But Mr John Coleman, who has had plenty of experience of such problems as a member of the Michigan State Economic Development Commission, said that dislocations resulting from tariff reductions should be handled administratively, that it should be government policy to cushion any transition and that it was better to subsidise the readjustment of an industry for a short period than to subsidise the industry itself forever by tariffs. He went on to give Senator Millikin more than one practical example of what had actually been done when industries had died, either because of a change of public taste or because of competition from more favourably placed competitors within the United States—not from foreigners. Mr Coleman's arguments were unanswerable and Mr Millikin was reduced to clouding the issue with verbosity (the Senatorial equivalent of the squid's ink) and to asserting that nothing that had been said was in any way applicable to his own State of Colorado. For the first time Mr Randall's face, which had carried a weary smile through much of the hearings, broke into a broad grin and he must have been sorry, for once, to have to invoke his stern rule that no witness should be allowed more than three-quarters of an hour.

These two days of public hearings have given a glimpse of the area into which the long argument over tariffs and trade is beginning to move. There is little hope that anything positive will be done by the present Congress; indeed, it will be an achievement to hold the line. But it now looks as though it will not be many years before some President has to appoint a commission to study not what the foreign economic policy of the United States should be, but how to prevent individual communities suffering from the effects of a policy already determined.

Southern Solidarity

FROM A CORRESPONDENT IN ALABAMA

IT is just a year since Mr Eisenhower repeated Mr Hoover's feat of splitting the traditionally Democratic South and thus reopened the possibility of creating a two-party system in the states of the old Confederacy. The personal appeal of the President to Southerners has diminished very little in this time. But the election (by a comfortable margin, if a much smaller one than Governor Battle won in 1949) of a feeble Democrat as Governor of Virginia suggests that Southerners make a sharp distinction between the President and his party.

It would have been poetic justice if the progressive Republican, Mr Dalton, had won in Virginia, for last year Senator Byrd, the conservative autocrat of the Democratic machine, helped Mr Eisenhower to carry the state by encouraging Democrats to vote Republican. The danger that the lesson might have been learned too well was great enough to force Mr Byrd to do unaccustomed campaigning for his candidate; a scandal in the Democratic ranks, coupled with the willingness of anti-machine Democrats to show their resentment of Mr Byrd's defection last year by voting Republican themselves this time, seemed to give Mr Dalton an outside chance of success. His failure, in one of the few southern states which sends any Republican representatives to Washington, is a sign that the South is still inhospitable to Republican hopes.

It should be remembered that there are roughly three political groups in the South: the old-line Republicans, who are relatively few, a considerable number of dissident right-wing Democrats, many of whom in recent years have organised as "States' Righters" or "Dixiecrats," and the loyal Democrats who normally constitute the majority. It was a combination of Republicans, Dixiecrats, and "Democrats-for-Eisenhower" who in 1952 enabled Mr Eisenhower to carry four southern states, and secure a large popular vote in the other seven. In the twenty-four years since Mr Hoover won five southern states, no other Republican presidential candidate had carried even one.

Ever since last November, Southerners have wondered whether this time the two-party system would take root in a region which has long suffered the evils of one-party rule. Most of the Democratic leaders are sceptical of Republican prospects. Governor Persons of Alabama said, after the Republican sweep last year: "This was a personal victory for Eisenhower. When some of these ambitious Republicans try to run for state and local offices, they'll find their name ain't Ike!"

★

Conscious of this, the Republicans have been using federal political patronage to develop the dynamic party leadership that has been lacking. Most of the Republican organisations in the past have been tiny and intentionally exclusive, for although they made no contribution to the election of a Republican President, they could count on sharing the rewards when a Republican Administration came to power. Most of them supported Senator Taft in all his efforts to win the Republican nomination.

In the past year efforts have been made to recruit Republicans from the new managerial class in the South, and the plums that Washington has to award in the form of local appointments have been going to newcomers, many

of them from the ranks of the Dixiecrats and the Democrats. But even this, although it has angered the "Old Guard" Republicans, has not appreciably broadened the base of the party's support, for most of the Administration's appointments have gone to the "country club element," who are out of touch with the mass of the voters. Some thought is now being given to the advisability of running candidates under an independent label, to catch the votes of those who still hesitate to vote Republican.

The strength of the Republicans in the South is the President's repeated insistence on states' rights. This term is usually used as a euphemism for less federal intervention to protect the civil liberties of Negroes; conservative southern economic interests and the politicians who reflect their views tend to soft pedal their hopes that it may also mean less federal intervention in the field of welfare. It is doubtful whether a majority of southern voters would welcome the withdrawal of the federal aid to which they have become accustomed.

Southerners are naturally delighted that so far the Administration has not pressed for legislation to protect the interests of minorities, as the Truman Administration did. A serious attempt to force through civil rights legislation at the next session might jeopardise the support that southern Democrats have given the President. Already there is silent resentment at the President's moves to end segregation in the armed forces and in the District of Columbia, and at the appointment of Negroes to positions of authority. These moves have not, it should be noted, been welcomed with much enthusiasm by the southern Negroes, who are voting in increasing numbers.

Some of the sharpest criticism of the President in the South concerns his changing attitude toward the Tennessee Valley Authority. The Democrats regard this vast regional development, which brought electric power, flood control and land rehabilitation to five states, as one of their most brilliant achievements. During his election campaign, Mr Eisenhower, pressed for his views, replied:

If I am elected President, TVA will be operated and maintained at maximum efficiency. I have a keen appreciation of what it has done. . . .

As President, however, he has branded TVA as "an example of creeping socialism." Republicans in Congress have slashed TVA funds and some are even suggesting that the authority's power facilities be taken over by private companies. The threat to the TVA is keenly resented in Tennessee, Kentucky, and the northern parts of Georgia, Alabama, and Mississippi, and has cost the President the support not only of many liberal voters, but also of business elements which are benefiting from cheap TVA power.

President Eisenhower's popularity in the South has suffered most, however, from the continued decline in farm prices. The decline has been especially drastic in the price of beef cattle, which have displaced cotton over a wide area in the South. Nor has it helped for the Treasury to allow interest rates to rise, for farmers, and particularly farmers in a poor region such as the South, are heavy borrowers. Hard times are an unfortunate reminder of what followed Mr Hoover's victory in 1928, and discourage Southerners who still regard the President with affection, as a hero above and beyond the partisan battle, from following him into the Republican party.

American Notes

Republican Reverses

THE President swallowed his words about not intervening in local elections in record time, under pressure from his party, and flew to the other extreme of announcing that he favoured the election of Republicans over Democrats in every case. But all this has achieved is to make the President seem sadly infirm of purpose and make the Republican defeats in Tuesday's scattered elections look like personal reverses, which they were not.

The results in New Jersey are the ones which the Republicans must take most to heart. In Virginia, a sensation would have been created if the Democrat had lost. In New York, the traditional hold of the Democrats upon the city was enhanced by scandals which involved figures in the state Republican organisation and by the choice, as the party's candidate for Mayor, of Mr Wagner, who inherits the assets of the Fair Deal and of his father, the author of labour's Magna Carta, the Wagner Act. The Republican, Mr Riegelman, had so little chance in a three-cornered fight that it is surprising that the President should have been willing to let it appear that he had given way over aid to Israel in response to pleas not to alienate the Jewish vote in New York.

It is the loss of the two contests in New Jersey, which has not elected a Democrat to state office since 1940 and where agricultural discontent was not involved, which suggest that the political tide is running against the Republicans and that the Wisconsin reverse was no mere eddy. The President was forced, one imagines reluctantly, to extend his approval to Mr Troast, the Republican candidate for Governor, although he was one of a number of politicians who had recognised the "invisible government" of a convicted labour racketeer by pleading for his release from jail on parole. But the Democrat, Mr Meyner, succeeded nevertheless in turning a Republican majority of 70,000 in 1949 into a Democratic one of 160,000.

It is the loss of the sixth Congressional district which will be most keenly felt, however, not only because it had not gone Democratic since it was organised, but particularly because it brings the Democrats, with 215 members, almost level with the Republicans' 218 in the House of Representatives. If the Democrats carry the seat at stake in California next week, the President will control the House only by one vote.

The President has brushed aside the defeats as "skirmishes," and it is true that few important offices were involved. But these reverses are warnings that the public will not tolerate even local corruption—a very potent issue in New Jersey—in a party which promised a clean-up of government; and that machine-made candidates will not do. They are also evidence that realistic Republicans are right in insisting that, unless the party can write an impressive legislative record in the next session, the President will lose his already tenuous control of Congress in 1954's elections.

Up Against the Debt Ceiling

THE government's latest \$2 billion bond issue was as successful as had been forecast; it was five times oversubscribed and \$2.2 billion is actually to be allotted. This brings the Treasury up against the \$275 billion ceiling on the national debt. It is not, however, expected that any more new money will be needed this year; the \$10.5 billion that must be found by December 1st will be for refunding purposes only. The Treasury therefore still hopes to avoid actually going through the ceiling before Congress meets in January, the month when in any case the stringency will begin to be relieved by a rising volume of tax receipts. Meanwhile continuous attention will have to be given to such expedients as reducing progress payments to manufacturers with arms contracts, selling off Commodity Credit Corporation loans to commercial banks and, possibly, postponing tax repayments. The latest device for holding down the government's indebtedness has been to stop issuing the savings notes which corporations buy with funds reserved for future tax payments and the Treasury is also expected to use some of its outstanding cash balances to buy, and retire, government securities held by the Federal Reserve banks.

At least the officials who are preoccupied with such stratagems have not also had to worry about the new bond issue, which was put out under very favourable conditions and was immediately at a premium. Its terms, an intermediate one of 7 years and 10 months, fits in with the maturity dates of other government securities, although it is probably not as long as the Treasury, anxious to spread out the government debt still further, would have liked. Its rate, 2½ per cent, when compared with the 2½ per cent which was necessary for a 3½-year issue only two months ago, is evidence of the recent sharp fall in interest rates, which has been just as striking as was the rise earlier in the year. At that time the fear that credit would become dangerously short during the autumn led the Federal Reserve Board to make additional funds available for bank loans. But the seasonal increase in the demand for credit has been much smaller than usual and in consequence commercial banks were very ready to subscribe for this new government issue which was designed to appeal to them. Other subscribers were required to put up a 10 per cent deposit, to discourage speculative "free riders."

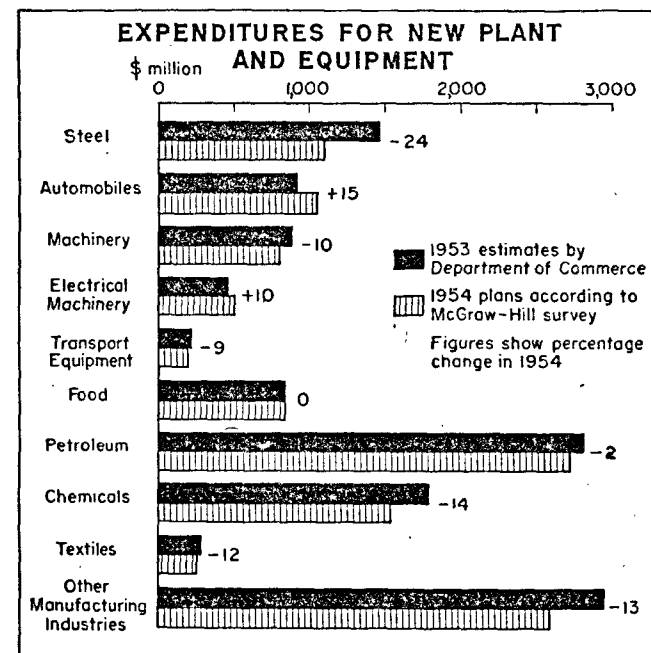
Capital Spending in 1954

THE appearance of a new government issue specially intended for bank purchasers is the latest move in the anti-deflationary course that monetary policy has been following for some time. The general easing of credit largely explains why many experts are little perturbed at the failure of the economic indices to show their usual autumn gains. Mortgage money, for instance, has been more readily available recently; this should be reflected before long in better figures for new housing starts. And both private and local government borrowers are finding it less difficult to obtain funds for new capital investment.

Further evidence that expenditures on capital goods will remain at a satisfactorily high level is provided by a special

survey of manufacturers' plans for investing in new plant and equipment in 1954. Carried out by the McGraw-Hill Department of Economics in October, this indicates that manufacturing, mining and utility companies, which together are responsible for over half of the capital outlays by business, are proposing to spend \$17 billion for such purposes, only \$1 billion less than this year. For manufacturing industries alone the planned total is \$11,683 million, compared with \$12,690 million this year; this decrease of only 8 per cent over 1953's record expenditure is reassuringly small and is largely explained by the virtual completion of expansion for defence purposes, especially in steel and aluminium.

Plans for capital spending in 1954 are concentrated in the big companies which have long-term programmes for modernisation and expansion, and particularly in the auto-



mobile and electrical machinery industries, where growing competition is necessitating more efficient output and the development of new products. Demands for both textiles and certain types of chemicals, the industries in which capital expenditures are expected to drop most sharply, have been lagging behind supply. This has also been true to a lesser extent of the petroleum industry, which is nevertheless planning to maintain its outlays almost at this year's level.

It is noticeable that, with the exception of some chemical companies, the firms surveyed have made little change in their plans for capital spending since they were first questioned last February. Since the subsequent numerous, although only minor, signs of a possible recession next year do not seem to have brought about any substantial alteration in these plans, it seems unlikely that they will be changed drastically as a result of the latest indications—the failure of the industrial production index to rise in September and October, the slackening of the rate of increase in consumer credit, the falling-off in overtime worked. But if these trends continue, and particularly if Christmas does not do all it should for lagging retail sales, then next February many of the replies to McGraw-Hill's regular annual survey may be very different.

The World Overseas

Pakistan without a Crown

BY A CORRESPONDENT

THIS week's Constituent Assembly decision to opt for Republican status for Pakistan accords with the expectations of all who have been in regular and recent touch with public opinion in that country. Indeed, the real surprise would have been if the decision had been otherwise; for even those Ministers and officials who are most cordially disposed towards Britain have for some months past warned their friends in this country that there was little likelihood of an indefinite continuance of Dominion status once the business of constitution-making began in earnest. Nor is there any evidence that anybody was willing or anxious to sponsor a continuance of the *status quo* either in the meetings of the Moslem League party, which are held in private, or in the deliberations of the Constituent Assembly which are open to the public and have been fully reported in the newspapers. The Hindu and other minority groups are opposed to some of the new constitutional provisions, but none of them could be expected to feel strongly enough on the subject to come out openly in favour of placing the hitherto somewhat provisional Dominion status of Pakistan on a permanent footing.

Not that there has been any real dissatisfaction amongst the masses of Pakistan with the post-1947 relationship between their country and the Crown or the other elements within the Commonwealth; for the great bulk of public opinion is in no sense qualified to pass judgment upon those delicate constitutional arrangements which make up the sum total of the Commonwealth concept. Its chief interest in the future constitution lies in the division of powers between the Centre and the Provinces, the composition of the legislatures, the apportionment of revenues, linguistic autonomy and the maintenance of the primacy of Islamic ideals within the structure of society and the anonymity of collective life. According to the Quranic revelation Allah is the supreme legislator, and it is enough therefore to be "brethren in the Faith." Thus the regulation of the formal external relationships of an Islamic country such as Pakistan is a matter which inevitably devolves upon a few self-appointed specialists—religious leaders, politicians, publicists, news-paper editors and the like—to whom the man in the street, the factory or the paddy field is happy enough to delegate the final decisions; this, after all, is not very different from the methods employed in more sophisticated democracies.

It is conceivable that had either Mr Jinnah or Mr Liaquat Ali Khan been alive today the decision in favour of a republican form of government would not have been

made. Such was the immense personal prestige of both (likewise their personal understanding of the Commonwealth concept) that probably either could, if he wished, have resolved the issue in whatever way he might have chosen. Not so Kwaja Nazimuddin who was dismissed from the premiership by the Governor-General last April. Despite his many estimable qualities, Kwaja Nazimuddin was much under the influence of the *mullahs*, the chief protagonists of an Islamic and theocratic state. Mohammad Ali, his successor, a cadet of the Dacca Nawab family and junior kinsman of Kwaja Nazimuddin, is a modernist who, whilst not unmindful of the tenets of his religion, has shown himself to be tolerant, progressive and desirous of the material progress of his country. For the present he is cautiously feeling his way amongst the conflicting pressures which exist within the Moslem League party, and his main objective in the constitutional debates has been to secure adoption of a formula which will reconcile the rival claims of the Punjab and East Bengal for representation in the Central Legislature. Thus far he appears to have been successful, though several more rivers may have to be crossed before his plan is completely accepted.

In the circumstances, Pakistan's future status within the Commonwealth, which has occupied a disproportionate place in British speculations about the final form of the new Constitution, has inevitably been the concern mainly of one small sector of public opinion. This small, but important, minority has tended to assess the value of a continuance of the direct connection with the Crown by two tests. Firstly, how, in terms of national independence, does a Pakistan Dominion stand *vis-à-vis* an Indian Republic within the Commonwealth? As Pakistanis see it, full membership in Dominion form brings no advantages that are not equally available to the only Republican member of the Commonwealth, which happens to be India, with whom it is essential that Pakistan should not only be equal in all matters but (what perhaps is even more important) appear to be equal. To those who think in this fashion it is only too clear that the republic reaps any benefits that may be going without subscribing to the full ritual and all the rules of the Commonwealth Club. So runs the argument. Secondly, according to the Pakistani way of thinking, if ever there was a case for Commonwealth mediation it is Kashmir. And Kashmir, in Pakistan's eyes, is almost exactly as it was in the autumn of 1947.

The logic of such simple reasoning is difficult to counter,

for present and prospective advantages count for more in the competitive nationalism of contemporary Asia than old ties and dimming loyalties. That the Islamic Republic of Pakistan will desire to remain within the Commonwealth is almost certain. Its close trade and other ties with Britain are unlikely to be much affected by last Monday's resolution which is primarily intended to show that Pakistanis feel as free as their next door neighbours and as little inhibited by the past. Nonetheless, there will be those in Britain and Pakistan and in other Commonwealth countries who for personal and undefinable reasons will regret last Monday's break with a long and honourable past.

Yemen Sets its Door Ajar

BY A CORRESPONDENT LATELY IN ARABIA

IF a world contest were to be held in the art of keeping strangers at bay, the prize would surely be divided between Tibet and the Yemen. Centuries ago, the latter was the heart of Arabia Felix, the source of the best spices, an important trading centre, and the fabled home of the Queen of Sheba. Its mountains enjoy a relatively plentiful rainfall and, so long as they are terraced and dams are built, it is a land of fertility. But it has lost this greatness. Today, it is a withdrawn, feudal state living under the domination of a ruling family that has the final word in all matters. It is a member both of the United Nations Organisation and the Arab League; it attends their meetings and votes on major issues, but contributes in word only to their affairs; and no important representative of either body has been invited there. It has, as yet, no public opinion, no modern system of education, justice, or public health, and not much chance of power or money for anyone who has not the luck to belong to the ruling clan. Any able plebeian is therefore apt to emigrate, and there are today colonies of émigrés as far afield as Cairo, Singapore, Marseilles and South Shields.

These exiles played some part in an upheaval which in 1948 shook the *ancien régime*, though, in the end, did not overthrow it. Apostles of progress, led by a member of the ruling family, and supported financially and morally by Yemenis abroad, murdered the aged Imam in the interests of reform. The rebels stipulated, for instance, that the treasury should cease to be the private property of the Imam and his family, and that the Imam and his sons should no longer monopolise all government posts and should participate in trade only on an equal basis with the rest of their subjects. After some vicissitudes, the Imam Ahmad, son of the old Imam, came to the throne. He is more aware than was his father of growing pressure from a younger generation that is waking to the ideas that fire the Moslem Brotherhood in Egypt; so is his brother, Prince al-Hasan, who is prime-minister. But custom dies hard and the family as a whole is still jealous of its privileges.

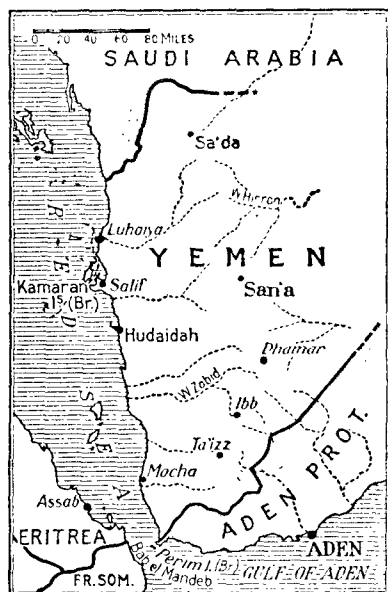
Yet, lately, they have unlocked their fastness to admit a few foreigners. Stirred by fabulous accounts of the profits being made in other parts of the Arabian peninsula, they have opened the door to oil prospectors and asked for a limited amount of help from the UN Technical Assistance Administration. They are difficult people to help because their mistrust of strangers is such that they are loth to let these roam their country. But they already possess two

surveys done by Arabs—one an Egyptian, the other a North African—which gave them some information on the physical resources of the most important parts of the country and, with these to guide them, the ruling family are now open to offers from investors and traders of other nationalities.

Hitherto, the chief export crop has been coffee, but the area devoted to it is now said to be diminishing in favour of *qat*, a plant with narcotic qualities which most Yemenis chew to the detriment of their health, but which must be used at once and does not travel. Hides and skins were also exported in some quantity. Fairly good cereals and excellent fruit are also grown where there is irrigation, but these are mainly locally consumed; much better irrigation would be needed before the land could resume its ancient role as a food-exporter. The Imam is personally interested in the development of a cotton crop in the coastal lowlands. Of minerals, the North African's report already referred to proclaimed the existence of petroleum near the coast, coal near the capital at San'a, and a variety of other minerals and semi-precious stones that were exploited in the past; but it is not yet clear which are present in commercial quantities.

Meanwhile the prime minister and his principal adviser seem to have felt that German prospectors will serve them best. They have not welcomed Egyptian pressure for pride of place; they would rather deal with the West than the Levant. They claim that, over oil, they approached Anglo-American concerns, but were turned down. Last summer, therefore, they granted a nation-wide oil concession to a west German firm, on terms which give themselves a 75 per cent share and the Germans a 25 per cent share in both costs and profits; the contract will be regarded as void if no oil is found within five years, though if prospecting is successful, it will be valid for twenty. Other German firms have taken up a concession for mining salt, and have secured a contract for supplying textile machinery for a Yemeni-German textile firm that will weave the Imam's cotton. German contractors are also building a cement factory and a tannery. One British concern has submitted a report on certain economic developments, including the improvement of breeding and fruit growing, and British and German firms are in treaty with the government over road development.

The most important foreign contribution that is being made towards opening up the country comes, however, from the United Nations. In January, 1951, the Imam asked for its help in establishing a bank and reorganising the country's finances and currency; at present currencies ranging from the Indian rupee to the Maria Theresa thaler and the gold sovereign and louis are all in circulation. A Pole, Mr Z. Siemensky, has been sent to report both on the type of system needed and on what further technical



assistance would be opportune. He has met with two local schools of thought, the more progressive of which urges that the bank shall be "national" and not "state"—that is, shall not be in the hands of the Imam's family. Some other UN technical assistance advisers are expected to help with public health and teachers' training, but will find their work difficult unless they stay for longer than most UN experts reckon to do. For here, if ever there was one, is a land in which a stranger can make no headway at all until he has lived there long enough to gain some grasp of customs and prejudices that will die hard in this far corner of Arabia.

Moscow's Bid for the Trade Unions—II

Colonial Revolutions in the Making

IN Communist practice as laid down by Lenin and Stalin a "correct policy" is not enough. Organisation for applying it is just as important. This is just another way of saying that it is no use drawing up plans for campaigns without a trained officer corps and an army to carry out the tactical moves. But strategy comes before tactics, and to see the World Federation of Trade Unions (WFTU) in its proper place as an army for fomenting revolution it is necessary to outline the Soviet strategic conception for the "colonial and semi-colonial" countries.

In the first place, the Soviet leaders—whether Stalin or Malenkov—regard this as "the era of colonial and semi-colonial liberation movements." In the standard terms, these countries form "the rear of the imperialist camp," or, more materialistically, the source of strategic raw materials and overseas military bases for the West. It is safe to assume that the greatest organisational effort goes into fostering unrest in the most vital strategic spots, even though, owing to local conditions, the Communists may have greater success in other parts. Persia, Iraq, Saudi Arabia, Egypt and the Sudan, are, for example, certainly targets with higher priority than British Guiana. The fact that East Africa was noted in Moscow as a new area of strategic importance to the West gives a prior reason for the sympathetic interest that Soviet propaganda shows towards Mau-Mau, or, as it is called, "the people of Kenya."

In the Leninist-Stalinist view (brought up to date by Mao Tse-tung) the strategy of revolution in countries "exploited by foreign capitalists" as well as the native variety is different from that in countries which have only to free themselves from their local oppressors. Stalin laid down the differences in an analysis of colonial revolutions in 1925, when he pointed out that the dual yoke in the backward countries deepens the "revolutionary crisis." As the revolutionary movement progresses, he said, the local national bourgeoisie splits into two sections—the petty bourgeoisie, which has an interest in helping the revolution, and the big bourgeoisie, which compromises with the foreign imperialists. The revolution would develop, forecast Stalin, as the proletariat joined the local small capitalists, and the national liberation movement linked with the proletarian movement in the Communist world. From this, Stalin deduced that the liberation of colonies cannot be achieved without a successful revolution. The revolution

will not be successful until the big bourgeoisie is isolated, the petty bourgeois masses freed from its influence and the "advanced" working class elements organised in a Communist party. No lasting victory could be achieved unless a real bond were established between the liberation movement and the Soviet Union.

Stalin decreed that the fundamental task of Communists in the colonies is to base their revolutionary work on these deductions. He gave instructions for the colonies that are in varying stages of development. In some, the bourgeoisie had not yet split and it was the immediate task of the Communists to make it do so, drawing the petty bourgeoisie into a united front. The peasants were classed among the small capitalists who must be led by the Communists in order to set up the dictatorship of the proletariat. The "revolutionary intelligentsia" were also to form part of this united front. Another Soviet analysis of this process in Africa has more recently classed the tribal chiefs as an obstacle, and noted with satisfaction that leadership is passing from them to the intelligentsia.

Stalin applied to colonial revolutions familiar warnings against deviations to the left and right—that is, against the Communists, who overrated their strength and underrated the importance of securing an alliance with the petty bourgeoisie, with the result that the Communists became an isolated sect; and the party men who overrated the need for an alliance with anti-imperialist elements of all kinds; this error may lead the Communists, who are in any case always a minority, to lose control.

Mao's Recipe for Success

The victory of Mao in China had a twofold effect on Soviet strategy. It gave the Communist leaders greatly increased confidence; and Mao was able to claim that he had improved on Russian principles for colonial revolutions. The Chinese did not introduce a new strategy or tactics, but they shifted the emphasis on to gaining the support of the peasants and propounded practical steps based on their own success. Mao's two main principles for colonial revolutions were laid down in the inaugural session of the Asian and Australasian section of the WFTU in Peking in November, 1950. These were that liberation will only come by armed force, on the Chinese model, and that the revolutionary army must be based on the support of the peasants, who must be won over by land reform. A rising of the proletariat in the cities is the last stage of the armed campaign, which starts with guerrilla warfare and ends with the establishment of regular armies, fed by deserters from the enemy. The setting up of a base and "People's Government," such as Mao had in Yenan, is regarded as an essential pre-requisite of a successful armed revolution on these lines.

How far Chinese leadership in this vital sphere has been accepted by the Soviet Communist party is not certain. There would seem to be readiness on the Russian side to admit that Mao has a "correct" tactical blueprint for the colonial countries, even though the Soviet Union remains the fount of doctrine and strategy. The executive bureau of the WFTU includes a leader of the Chinese trade unions. One Soviet writer soon after the federation's meeting in Peking at the end of 1950, after admitting the Chinese claim to have worked out the best means for success, stressed that "it is essential to form, when possible and

where possible, powerful people's liberation armies under the leadership of the Communist party. . . . The struggle of the masses must be identified with armed struggle, because the latter is the chief form of struggle in colonial national liberation movements." The national liberation movements, it is laid down, must be linked with Communist campaigns in the metropolitan countries, and can only be successful if the "feudalism" and the bourgeoisie (after the petty-bourgeoisie elements have first been used to strengthen the united front) are finally eliminated.

The role of the WFTU in carrying out these principles is important, as the mere evidence of the Peking conference would suffice to show. It has been growing in recent years. At the federation's council meeting in Berlin in 1951 for the first time a special colonial bureau was formed; the recent White Paper on British Guiana points out that this was done on the suggestion of Dr Chididi Jagan. At the recent Vienna conference, one of the chief items on the agenda was the promotion of WFTU work in the "colonial and semi-colonial" countries in which Latin America is included; and no less than half the delegates came from these areas. An agricultural section had been set up earlier inside the WFTU because the peasants and workers in the under-developed lands have special grievances. These countries are still in the "feudal" stage of capitalism, according to the Marxist definition; and, as voluntary reforms are said to be "impossible," the way is believed to be open for the Communists—always in the minority—to win the peasants and agricultural workers by offers of better labour conditions and land reform. At the same time the intelligentsia is attracted by the offers of opportunities for study at universities in Prague and the Soviet Zone of Germany, while local Communist parties in the metropolitan countries look after colonial students in western capitals.

Call for a United Front

At the WFTU conference in Vienna, a number of statements were made that seem particularly significant in the light of Stalin's and Mao's rules for colonial revolutions. The keynote was the need for a united front, with constant efforts to win the rank-and-file away from unions affiliated to the International Confederation of Free Trade Unions. Action must be taken "against trade union activities which are not in the true interests of the working class," said an Indonesian trade union leader. A representative from British Guiana stated that the People's Progressive Party works "hand-in-hand with the unions" and that "we will fight with as much determination even against odds as the Malayan patriots and the people of Kenya." A Sudanese union leader who is a vice-president of the WFTU declared that the working people of Africa were increasingly realising that protests were not enough. The time had come to fight for liberation, against the ICFTU. "You cannot be for the workers and at the same time against the countries in which the workers control the state," he affirmed. Though the Indonesian leader talked of the use of "all lawful means," and the WFTU will doubtless try to keep on this side of the law, it is not difficult to see that the activities of this new Comintern may well lead in some countries to the battles of "liberation armies" which, according to Soviet-Chinese strategy, must bring colonial revolutions to victory.

(Concluded)

Crisis on Hungary's Farms

IT is now clear that the Hungarian Communists have no intention of back-peddalling in their policy of collectivisation in the countryside. Those peasants who took at its face value Premier Nagy's promise that those who wished could leave the collectives after the harvest of 1953, now know better. If the road out of the collectives has not in theory been barred, it has at any rate been strewn with a series of formidable obstacles. At the same time steps have been taken to make life in the collectives seem more attractive, and to persuade the peasants that it is now, in Mr Nagy's words, "quite pointless" to leave them.

This development does not come as a surprise. Indeed, within a week of Mr Nagy's announcement on July 4th, Mr Rakosi had made it clear that the new Premier had exceeded his brief. This douche of cold water was not, however, sufficient to halt what seems to have been a strong movement among the peasants to leave the collectives straightaway; no doubt they distrusted the government's promises and wanted to get out while the going seemed good. The regime was forced to act vigorously to stop the rot. The Hungarian press was at once full of accounts of how members of collectives who had applied to leave had been "illuminated" by local officials and the police on their "real" interests, had thought better of their decision and withdrawn their application. Elsewhere members of collectives were reported to have "spontaneously" decided that the last thing they wanted to do was to leave their collective. There is little doubt that every form of pressure, as well as open intimidation, was used to keep the peasants in the collectives until the harvest was gathered in; and when that was done, the peasants were given to understand that in order to prevent any damage to the collectives, no one was to leave until the autumn sowing plan had been fulfilled.

Full Rigour of the Law

The blame for the regime's difficulties with the collective farmers is chiefly laid upon the kulaks, who are accused, among other things, of worming their way into the collectives in order to incite the members to disaffection. The machinations of individual kulaks are frequently pilloried in the Hungarian press and due emphasis is placed on the retribution—in the form of severe prison sentences—that has overtaken them. In a leader entitled "Let us Protect our Producers' Co-operatives" on August 7th, *Szabad Nep* gave a plain warning that "with the full rigour of the law it (the state) will hit out against all who incite against the co-operatives."

The regime, however, evidently realises that punitive action is not enough; the collectives must be made to exert a positive attraction on the peasants. It is admitted that many of them have proved a great disappointment and that the bureaucratic and unsystematic planning of agricultural work by local councils and the Ministry of Agriculture (whose numerous supervisors have been nicknamed "brief-case carriers") is thoroughly unsatisfactory. But Communist speakers assume with easy optimism that now that the government has taken things in hand, all will be well so that "to want to leave the cooperative now is neither comprehensible nor wise." And they urge the stronger collectives not only to set an example to their weaker

brethren but to help them with labour, machinery, advice and enlightenment.

It is obvious that the series of financial and other concessions granted to the cooperatives since Mr Nagy's speech, in particular those granting easier credits and bigger state investments to the collectives, should, if duly carried out, make life easier and more rewarding for the collective farmer. But it is highly unlikely that they will help to reconcile him to the system. For one thing many of them—the reductions in compulsory quotas, the cancellation of fines for last year's non-deliveries, the remittance of some debts—represent merely the removal of crushing burdens that should never have been imposed in the first place. For another, the concessions are being used as an additional barrier to keep the peasants within the collectives; those who leave will immediately lose the benefit of all concessions granted to the collectives. They have, moreover, been warned by the Premier that if they repent their decision and ask to rejoin "it will not be possible to ignore the fact that they have shirked the difficulties and troubles and have left the co-operatives disgracefully." As an additional precaution the regime has issued—with the minimum of publicity—a new set of statutory rules for the collectives which, in effect, pile still higher the legal and financial obstacles blocking the path of all who want to regain their independence.

Half-Broken Promises

In his famous speech of July 4th, Mr Nagy also promised much more help for the individual peasants who still farm the greater part of Hungary's arable land. Here again reality has nothing like equalled the promises made. Perhaps the peasants never expected that it would, for there is a good deal of evidence that Mr Nagy's speech only provoked in them an even more uncooperative attitude; probably they took his conciliatory gestures to be a sign of weakness. At any rate in spite of the excellent harvest the compulsory deliveries, which should have been completed by August 20th, are still coming in at a thoroughly unsatisfactory pace. There seems to have been a good deal of trouble with kulaks who insisted on threshing their wheat in the privacy of their own farmsteads instead of taking it to the official threshing machines.

Some concessions, however, have been made to the private peasants, although it is fair to say that they are all a good deal more niggardly than the comparable concessions to the collectives. For instance, in the middle of July all the delivery obligations of the collectives were reduced by 10 per cent. But the private farmers had to wait until August 30th before getting any of their quotas reduced and then only those for maize, potato and sunflower seeds were affected and even these only on condition that the much more important cereals quotas had been fulfilled. Again, whereas the collective farmers got all their unpaid taxes for 1952 cancelled, private farmers only obtained a 50 per cent reduction.

In short, in spite of all that has been said and done by the Communists about agriculture this summer, the position in the Hungarian countryside remains basically unchanged. The regime has shown a lively appreciation of the fact that agricultural production has been at a standstill since 1945; that, in the words of the Minister of Agriculture, "the effect of our lagging agricultural production is being felt in the lives of all our working people"; and that, as Mr Nagy recently told a conference of agricultural experts re-

cently, the "only road" by which Hungarian agriculture could emerge from "its backward state" was increased yields. The regime has even shown that it has some idea of what should be done to improve the situation, but it has only nibbled tentatively and half-heartedly at the fringes of the problem. It is too much the prisoner of its own ideological dogmas and political fears to go to the heart of the matter and make a genuine attempt to recapture the trust and confidence of the peasants.

German Coal for Europe

THE importance of Western Germany's coal production for the rest of Europe needs no stressing. It is Europe's largest and most regular exporter, and it is second only to Great Britain as a producer and consumer of coal. Of the 83 million tons of solid fuel imported by European countries in 1952 nearly 25 million tons, or almost 30 per cent, came from Germany. The trends of coal production and consumption there are therefore of vital concern to the rest of Europe, and especially to its partners in the coal and steel community.

Many of the current views about the European coal market are coloured by the events of the winter of 1951-52, when an acute shortage of coal caused heavy imports from the United States. It is not, however, generally realised that Germany was the major factor in that sudden dearth and that it was the largest single buyer of American coal during that winter. Between the years 1950-51 and 1951-52 deliveries of solid fuel to consumers in Germany rose by 19 million tons (from 111.0 million tons to 130.0 million tons), while in 1951 10 million out of the 25 million tons of coal and in 1952 13 million out of the 20 million tons coming from the United States went to Germany. The following table gives the salient features of changes in German coal consumption:

DELIVERIES OF SOLID FUEL TO CONSUMERS IN WESTERN GERMANY (Million tons)			
	1950-51	1951-52	1952-53
Thermal power stations	31.2	35.2	34.9*
Iron and steel industry	13.2	15.3	17.7
Other industries	29.7	33.2	32.0
Western Berlin	2.3	2.9	3.3
Railways, internal navigation and bunkers	11.8	13.4	12.6
Domestic and miscellaneous	20.7	27.6	27.3
	111.2†	130.4†	130.9†

Note.—* Figures for last three months 1952-1953 are estimates.
† Totals include certain figures for gas-coke for which there is no breakdown of end use.

Thus out of the total increase of 19 million tons, domestic consumption accounted for 7 million tons, electricity for 4 million, and the iron and steel industry and other industries combined for nearly another 5 million. These are very large increases for so short a period.

Fortunately for the stability of the European coal market several of the causes of this sudden increase in the demand for coal are unlikely to recur. Domestic fuel rationing

came to an end in 1951 and considerably upset the balance of consumption. The same relaxation cannot be repeated. It coincided with exceptional increases in industrial output and in the demand for fuel for electricity and transport, which were mainly internal to Germany and a part of its postwar rehabilitation. On these internal changes was superimposed the international upward swing of activity due to the Korean war. Since 1951 the rate of increase in German industrial activity has fallen off. While it seems certain that German industrial output will go on increasing the peculiar postwar conditions cannot recur in peace-time. Increases in industrial output production of the order of 20 per cent a year are possible only in circumstances as abnormal as Germany's collapse and subsequent revival.

It is, therefore, safe to say that the coincidence of circumstances during the winter of 1951/52 was unique. It is, however, necessary to look at the long-term trends of German coal production and consumption in order to assess Germany's contribution to the European coal market. Broadly speaking, the long-term question which faces the market is whether Germany will be able to maintain or increase its coal exports if its own industrial production increases. Is its own industrial and housing development going to absorb all its own coal? Does it regard its exports merely as a residual element after its own needs are satisfied?

Germany's record on coal exports has so far been good. As the table below shows, even the winding up of the Ruhr Authority did not seriously affect its exports. It cushioned its increased imports by buying from America, merely keeping its own exports steady. The effect of this policy is apparent in its net exports, which are shown in the table below, and are the true measure of its exporting power:

IMPORTS AND EXPORTS FROM WESTERN GERMANY
(Million metric tons)

	1948-49	1949-50	1950-51	1951-52	1952-53
Imports.....	4.7	5.4	5.6	13.5	12.4
Exports (including brown coal)	20.4	23.1	25.9	24.7	24.7
Net exports	15.7	17.7	20.3	11.2	12.3

But in the long run the bulk of any increased consumption in Germany must come from its own mines.

While German coal production has been rising steadily, the rate of increase has fallen recently and it has not even now reached the prewar level. This is the case in spite of a labour force in the mines which is 45 per cent higher than it was before the war. Productivity is, therefore, very low and rising but gradually.

Western Germany	1937	1938	1949	1950	1951	1952
Output of hard coal (million tons)....	138	137	103	111	119	123
Manpower (thous.)...	298	321	376	391	402	419
Overall output per manshift (tons)...	1,575	1,500	1,032	1,063	1,102	1,114

While the industry has the necessary skilled staff for future developments, it is short of capital. As and when

labour becomes more scarce even greater efforts than at present will presumably be made to increase productivity. Meanwhile the present annual increase of about 4 million tons a year is more than sufficient to meet the immediate needs of Germany and its neighbours. At the present time the rate of increase of German steel production is slowing down slightly and the European coal trade has diminished by 25 per cent since 1951.

It is, however, necessary to take a longer view of Germany's coal requirements. If its industrial production expands only gradually it should just about absorb its own increasing coal output and be able to import and export coal as now. But Federal Germany has potentialities for a much bigger expansion. In spite of having a population which has increased by over 20 per cent its level of industrial production compared with 1939 has risen only by about the same amount as in other western European countries whose populations are stable. Output per man has, therefore, virtually not changed. In addition its consumption of solid fuels for domestic purposes is relatively low (27 million tons a year compared with 53 million tons a year in the United Kingdom where the population is roughly the same). As housing conditions improve it seems inevitable that domestic requirements will rise. Nor does it seem probable that Germany will neglect the question of productivity or fail to take proper advantage of its additional manpower. Any developments in these directions will mean a considerably increased demand for energy.

Improving Fuel Efficiency

But this increased demand for energy may not mean a proportionate increase in the demand for coal because of increased efficiency. Germany is highly efficient in its utilisation of coal, and uses methods which could usefully be investigated in this country. For example it uses a much higher proportion of its coal (51 per cent in 1951) in secondary forms as gas, briquettes or thermal electricity than most other European countries. It has also encouraged a fundamental change in stoking techniques, so that it can use a much higher proportion of small coal. The coal industry itself runs a highly competent fuel efficiency organisation at Essen to encourage these developments. Changes of these kinds reduce the quantity of coal required per unit of output. At the same time Germany's consumption of fuel and oil per head is very low, and some of the future demands for energy, particularly for transport, may be met from this source.

So long as the progress of industrial activity in Europe remains hesitant there are no serious problems of coal supply. In the future the major difficulty for Western Europe is how to bring enough flexibility into German production to meet changes in demand. The margin for manoeuvre is extremely small and the widespread difficulties which followed the steep increase in German demand in the winter of 1951-52 illustrate the importance of flexibility. It is no longer practical politics to cushion changes in demand by changes in unemployment, as was normal in the years before the war. If industrial activity in Germany should rise steeply in the future there seems little doubt that its coal output will do little to relieve the rest of Europe, unless Germany continues its policy of importing American coal to balance its requirements of coal for export. This depends on dollars.

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THE BUSINESS WORLD

Power and the Atom

THE government is expected to act quickly on the proposals in the Queen's speech to set up a statutory corporation for atomic energy. A White Paper outlining the new organisation will be issued very soon. Sir Winston Churchill has promised that it will give "a very great deal of information" and will be "quite hard reading." Changes are certainly needed. A new and potentially vast industry is developing out of the science of atomic physics. In the past there has been little time for thought about the way in which this industry should be organised. The atomic energy staff of the Ministry of Supply have been primarily concerned with practical results; they have taken their fences one by one. First they produced fissile materials; then they mounted the explosion at Monte Bello; the results at Monte Bello were consolidated in a second series of tests at Woomera last month; ahead there lies the completion of the world's first atomic power station in Cumberland. By placing so much emphasis on tangible results they have shown that atomic science in Britain does not have to look to the United States for a technical lead. But they have clearly not had time to ponder the effects on technology, on industry, and on the British economy of these remarkable achievements.

The fact that to most people atomic energy is synonymous with horror and destruction suggests that the horizons within which this new atomic industry has so far been developed need to be widened. An elite circle of scientists employed by the Ministry of Supply at its atomic research establishments holds all the keys to knowledge; other scientists in other industries, and the managements to whom they are responsible, are almost wholly ignorant of what is being done. Yet the techniques of atomic physics have potentialities that go

far beyond the design of weapons of immense destructive power; an industrial country that confines its knowledge of atomic physics to those who have to make weapons may enjoy military security, of a kind, but eventually it is likely to run into economic perils of a different kind. The applications of atomic energy in peacetime uses are not the only problems requiring study; the prospect of a new chemical industry based on radiation is already taking shape; and, on a more modest scale, industry is just beginning to learn production techniques employing materials that have been made radio-active in atomic piles.

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Twelve months ago, after the Monte Bello explosion had crowned with its atomic cloud a six-year quest for the secret of controllable fission, an article in these columns drew attention to the dangers of leaving the Ministry of Supply solely responsible for the development of atomic energy beyond this research stage. Since then, decisions have been taken to build atomic power plants with an output big enough to be piped into the grid. It does not follow, indeed, that a statutory corporation will automatically be free from the defects of the present regime. Certainly it should be able to offer more attractive terms to its scientists than a government department can do, though staffing is not the only problem. But if, after the Ministry of Supply had transferred its atomic plants and staff to the new corporation, the latter were able to behave as a monopoly no longer subject even to occasional Ministerial prodding, there would be no gain at all. Industry would still be working only on the periphery of atomic energy,

ignorant of its fullest potentialities and playing no part in realising them.

The Ministry of Supply, using powers granted by the Atomic Energy Act of 1946, owns and operates six separate stations; a research centre at Harwell where preliminary development is undertaken, including work on atomic power generation; a drawing office at Risley for construction plans; a metal refinery at Springfields for extracting pure uranium from imported crude ore; an elaborate chemical plant at Capenhurst where fissile uranium 235 is separated from non-fissile uranium 238—the starting point for the whole process; a big pile in Cumberland where plutonium is produced from U235; and an armament design establishment at Aldermaston. The quantity of fissile material that can be used for weapons, for power production or for other experiments, is determined by the capacity of the plant in Cumberland, where plutonium fuel (Pu 239) is produced atom by atom from the interaction of a small charge of U235 with a larger charge of U238. This plant is being expanded, and the atomic power plant that is being built on the site will be run at temperatures high enough to produce plutonium as well as to provide power for the grid. A second reactor, working much faster on the “breeder” principle, awaits a decision on its site. The new corporation would presumably take over all these plants and assume responsibility for all their functions, apart, perhaps, from the design and production of atomic weapons. But that exception—if it should be made—would be concerned with the use of fissile material in only one of its several applications.

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The White Paper will be expected to reveal the Government's plans for financing the corporation and for the ownership of power plants (the economics of which form a separate study in themselves), together with the first appointments to the corporation. The members will have posts of great responsibility, for while the main directions in which the new corporation has to expand are clear, the way in which this expansion is put in hand will be crucial. Considerations of national security will require continuing Government control over its policy; as a case in point, fissile material is likely to be so scarce that its allocation between weapons and other uses will be a matter for Cabinet decision for many years to come. But the corporation will have to decide whether to remain a closed corporation or whether to invite and encourage the co-operation of industry in the most challenging technological revolution that man has ever known. How much of the design of new plants will be done by the corporation's own staff, and how much will be contracted out to industry? At what stages can industry be brought in as a partner in developments that it is now forbidden to watch as a spectator? In practice, the new corporation is likely to enjoy something less than the degree of autonomy of a nationalised industry. But the corporation should be able to strike its own balance

between the present self-sufficient organisation that it will take over from the Ministry of Supply and the American system, under which the Atomic Energy Commission owns plants and directs policy, but employs a number of companies, big and small, to design, build and run those plants as government agents working for a management fee.

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Past experience suggests that atomic scientists, with a few notable exceptions, have shown a positive disinclination to use resources outside their own official establishments. While the work done by Harwell has been conspicuously successful, its success has rested heavily on the personal abilities of a few men. This appears to have served admirably in fundamental research, where development often proceeds logically from one step to the next, but an expanding industry would have to depend on the many, not on the few. The time is near, if it is not indeed here, for introducing an element of competition in design, such as exists today in the aircraft industry. The corporation should not start on the assumption that it can for all time rely exclusively on its own design teams. If industry is to co-operate effectively, it must first be given opportunities to learn; it must be encouraged and not admitted only under pressure.

These principles deserve emphasis, for although the idea of co-operating with industry is more acceptable than it was a year ago, in most cases “co-operation” is not intended to mean more than the designing of turbines and generators to produce power from heat tapped from an atomic pile. Sir Charles Hinton, head of the Harwell production department, said in New York last weekend that he and his colleagues expected in the future to design and develop power reactors which could be handed over to industry “after satisfactory pilot operating experience.” This does not suggest that industry will be given much opportunity to do original work. The idea of using the resources of industry to design the piles themselves, or to co-operate in any other operations close to the atom is too often brushed aside as unthinkable—either because “security” must not be breached or because some scientists have peculiar notions about “profits.” But unless the corporation is to grow to such monstrous size and power that it can run all the industries to which atomic development may give birth, private companies must be called in or opportunities will be lost. Immense problems of capital investment, security, and management will remain. But it is inconceivable that British technology can ultimately flourish if its leading industries continue to be excluded from knowledge of atomic science and its applications. The setting up of a new corporation will be a critical point in the development of atomic energy. Its implications, in particular, for the generation of atomic power will be further considered next week.

Free Market in Cotton

THIS week the Government announced that it will end public trading in raw cotton and the provision of facilities, backed by public funds, whereby spinners can cover themselves against the risk of fluctuations in cotton prices. It intends to wind up the Raw Cotton Commission—the public agency which now supplies cotton to about half Lancashire's spinning mills, and provides cover both to its customers and to spinners that import privately—after the current importing season ends on August 31st next year. The Liverpool Cotton Exchange will be allowed to reopen and resume its traditional rôle of providing cover facilities through the operation of a futures market. A necessary condition of these changes is the removal of the restrictions on imports of dollar cotton; this is expected to take effect from September 1, 1954. The market hopes to begin trading in futures in April or May, with October as the first delivery month. The Government's decision will complete the postwar restoration of Britain's important commodity markets and restore almost the last of the major commodities to the open market.

Its action is the logical outcome of the developments of the last eighteen months. On the recommendation of the first Hopkins Committee, the Government allowed spinners to choose in the 1952-53 season whether to continue buying from the Commission or to buy privately. After this decision, the Commission, established by the Labour Government's Cotton (Centralised Buying) Act of 1947, was no longer the sole importer of raw cotton. But all spinners, whether they bought from the Commission or from shippers, could still cover their cotton under the Commission's cover scheme. Last May the second Hopkins report suggested that the dual buying system should continue for a further year, but argued strongly that the provision out of public funds of cover for private trade risks was inherently undesirable, and that private cover facilities should be urgently considered.

The conclusion was not as unequivocal as it sounds. By the trade union members of the Hopkins Committee and, as it subsequently transpired, by the Labour Party, it was interpreted to mean that the Commission's cover should not be available to spinners who bought their cotton elsewhere. But the Government accepted it in the realistic sense that no spinner should enjoy public cover. The conclusion is unassailable. Insurance against risk of fluctuations in commodity prices is a function of private business, not of government. Moreover, given the size of the Commission's operations, it cannot itself hedge the risks that it accepts, and it is therefore fully exposed as a principal to the possibility of loss. From its discussions with representatives of the cotton trade on methods of providing private cover the

Government rightly concluded that the most practical way was to reopen the Liverpool market.

These discussions also indicated that although some small spinners still favoured the continuation of the Commission, Lancashire as a whole was now prepared for a complete return to the private buying of raw cotton. This is also desirable in principle, for reasons no less cogent than those in the case of public cover. And it is pertinent to recall that in the year ended August 31, 1952, the Commission's trading risks involved it—or rather the taxpayer—in a loss of some £27 million. It is thus logical that the Government should have decided to wind up the trading and cover activities of the Commission at the same time.

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This particular transfer of responsibilities to private hands, however, raises more than the usual crop of difficulties, partly because raw cotton has been largely a government responsibility since 1939. One difficulty is the transfer to the Liverpool market of the hedges now placed with the Commission, which may cover as much as one-quarter of Britain's annual consumption, or roughly 400,000 bales. Such commitments may well strain the risk-bearing capacity of the market at first and it will be in spinners' own interests to arrange such transfers in steps, as opportunity offers, and not to wait until the last moment. The smaller spinners, who may be tempted to hang on to the Commission's cover scheme to the end, should remember that the longer they delay, the higher may be the premium that they have to pay for their hedge.

Most spinners will have to learn, or re-learn, the somewhat complex and delicate operation of trading in futures, and will have to accept the responsibility of active participation in the market. It is perhaps not yet generally realised in Lancashire that the success of the market will depend in large measure on the support it receives from the spinners themselves. They will have the opportunity of exercising a greater influence on the market than before the war. Then it was the merchants who were well supplied with capital and the spinners who lacked capital—a position that is in many ways now reversed. To attract more capital to the market, the Liverpool Cotton Association has broadened its terms of membership to permit the entry of private limited liability companies as full trading members. Such companies can be financed to the extent of 49 per cent of their capital from abroad; in practice, the foreign capital may be chiefly American. There is no reason to suppose that the banks will not be able to provide finance for Liverpool as readily as

they have provided it for other commodity markets.

The hedge offered by Liverpool will almost certainly be a contract confined to American-grown cotton and based on Middling 15/16 in. staple. The market authorities are not in favour of a broad contract, against which non-American cottons could be tendered, for they argue that this would weaken the effectiveness of the hedge. A strong contract is obviously needed, and it is doubtless true that if a number of cottons were to be included, buyers would be reluctant to deal in the futures because they would not know what type of cotton they might actually receive. American cotton has been chosen because it is the most widely used of all cottons, and therefore the major influence on world cotton prices. American cotton prices are also rather less subject to arbitrary government action than are some other growths. The contract will not, therefore, offer as full a hedge for Colonial and other cottons as for American, though it should give a greater degree of protection than a mixed contract would offer.

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If spinners consider that in practice the American futures contract is an inadequate hedging medium for non-dollar cotton, they are likely to protect themselves by using more American cotton. This would increase the dollar cost of reopening the market, and it might also mean that Lancashire's consumption of Colonial cotton, which the Government is naturally anxious to encourage, would suffer with that of other growths. The initial cost of opening the market should not be significant, as long as prices of non-dollar cottons remain competitive with, or cheaper than, American cotton. The main risk, however, is that, if a dollar famine should develop, non-dollar cotton might command a premium over dollar cotton, as it did a few years ago. Such a dollar shortage would not miss this country; how long, in those circumstances, could Lancashire be allowed to buy more heavily in the United States? In the market's first year at least, this is a risk which has to be accepted. When the market got into its stride it is conceivable that it might, if necessary, operate not too unsatisfactorily under a quota system for American imports, provided that such imports were not greatly reduced. This problem of maintaining the fullest freedom that was possible at a time of dollar scarcity or crisis would have to be faced in Britain's other commodity markets as well. One must hope that it will be long deferred.

The market will in any event have to operate under exchange control arrangements similar to those that will apply to the futures markets in grains. Members will be free to do business with any part of the world, provided that dollar cotton is paid for in dollars, unless it is for consumption in Britain. Foreign operators holding a maturing futures contract will not be able to take delivery abroad of dollar cotton paid for in sterling. Arbitrage operations will be allowed, but

the market will have to make returns to the Bank of England, and to enforce remedial action if an unwarrantable speculative position is being built up.

The opening of the market will take place when stocks of raw cotton are likely to be low. The Commission will obviously run down its stocks, and the merchants have so far been unwilling to build up a spot stock. This appears to be due partly to a fear, which does not seem justified, that the Commission might sell some of its cotton at cut prices, and partly to an understandable reluctance to accept the risks and expense of going into stock when the returns for doing so are bound to be small. The disposal of the Commission's stocks should present no great difficulty.

The merchants will eventually maintain—as they certainly should, if the Liverpool market is to provide a comprehensive service—spot stocks of cotton. But they will not be tempted into holding stocks, given their postwar resources and the costs of carrying cotton, unless spinners are prepared to pay for the charges and risks involved. In present circumstances, spinners may well find these charges distinctly high, and they may prefer to rely on direct shipment contracts for the bulk of their supplies, as the contracting-out spinners have done. Most contracting-out spinners have found that they needed a stock equal to some 15 weeks' consumption, compared with roughly five weeks' stock carried by contracting-in spinners. The carrying of this extra stock represents a substantial addition to working costs. This probably explains why it is mainly the smaller spinning firms that have remained with the Commission. The Commission is obliged to hold a large and varied spot stock, and as a public authority it has been able to charge appreciably less for this service than a private merchant could. In effect it has subsidised from public funds a part of spinners' stock holding costs.

The big spinning combines are well able to finance their own stocks, and they are also less dependent on access to a spot stock because they can usually switch supplies between mills to tide over a particular shortage. Vertical firms are also less dependent on a spot stock because they can plan their future requirements more accurately. It is the smaller firms that will feel the change, and their difficulties in financing additional stocks may encourage their integration with larger organisations, horizontal and/or vertical. From the broad economic point of view this is probably a desirable development, though the Government can hardly expect to be thanked for it.

The return to full private trading and private cover in cotton will not be easy. It will be made even more difficult if the Labour Party indulges in threats to restore the Commission completely when it returns to power. If the market takes some time to provide adequate cover in today's changed circumstances, that will not justify a demand for reviving public cover or public trading. It must be given a fair chance to meet the challenge of meeting Lancashire's needs.

Business Notes

Hé Torro

THE bulls came surging into the stock markets this week, lured by the glittering cape of higher dividends and profits, and blithely indifferent, in the headlong rush, to their exposure to the lurking matador. His thrust, which pinked rather than killed, was duly delivered on Thursday morning, after Tube Investments had announced that its profits had suffered a severe setback and that its equity dividend was to remain at 15 per cent. Before this blow brought the advance in prices to a halt, investors, including the institutions, had been buying equities eagerly. Just before the week-end the *Financial Times* ordinary share index, at 130.5, topped for the first time the point at which it stood before the slide in markets that followed the launching of the "new" monetary policy in November, 1951. By the close on Wednesday it had climbed another full point, to 131.5, or about 9 points below the all-time peak attained during the boom in equities in the early summer of 1951 (and also in 1947). This latest phase in the bull market dated from the reduction of Bank rate in mid-September, but the bulls did not make their first tentative charges until a sustained burst of activity in Wall Street had wiped out almost all the losses of the early autumn, when the talk of an American recession was at its loudest. Then, towards the end of last week, the suggestions previously made—in these columns and elsewhere—that profits would soon turn upwards again, carrying dividends with them, seemed to be confirmed by a crop of cheering profit and dividend announcements; and this confirmation became the signal for a strong and general forward rush.

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For a few days, the fact that most gilt-edged stocks could be tendered at fixed prices for the United Steel equity stock kept the gilt-edged market beyond the zone of this bursting optimism. But the fever proved infectious, and the market soon realised that the effect of this curious arrangement for the steel issue was to fix a floor rather than a ceiling for the stocks concerned—and that in any case the steel issue, large though it is by equity market standards, was a small tail for the big dog of the gilt-edged market. On Wednesday, when the market envisaged—not very accurately, as it proved—a good performance from the gold and dollar figures, gilt-edged became the centre of attraction, and prices broke away from their moorings. In the week to Thursday's close War Loan had risen from 83½ to 84½ and old Consols from 63½ to 64½. Having at first taken the threat of an American recession very seriously, the markets now seem to be taking it a little too lightly.

Tube Investments Misses the Bus

THE steady flow of higher dividends was suddenly interrupted on Wednesday afternoon by the announcement from Tube Investments that its gross profits had slumped by £3,184,336 to £5,872,259 in the year to July 31st last, and that its equity dividend was to remain unchanged at 15 per cent. This announcement came as a shock to those bulls (including some institutions) that had been cheerfully buying the company's £1 ordinary stock units before the week-end. It also caught the rest of the market off balance, for it had been basking in sunny announcements from Albert E. Reed and Harrisons and Crosfield (as well as from Fisons, Wall Paper Manufacturers and Crompton Parkinson, whose increased profits are discussed in Company Notes on pages 448 and 449). The market's immediate reaction on Thursday morning was to mark down Tube Investments' £1 ordinary stock units from 69s. 3d. to 64s. (and even at this price, they offer the limited yield of 4½ per cent). The ripple from this disturbance was sufficient to bring the steady advance in equity prices to a halt.

Tube Investments, despite its large stake in export markets, was one of the companies that did not suffer from the recession in 1951-52. Its profits in that year were still outstandingly high, though they included a windfall gain of about £1 million from an appreciation in stock values. In these circumstances, it may have been optimistic for speculators to expect another sharp increase in profits, but until the full report is published it must remain a mystery why the group has shown such a sharp fall instead of approximate stability. Until that report arrives stockholders must find what consolation they can in the fact that taxation charges have fallen sharply (from £5,879,675 to £3,415,171) so that the fall in net profits has been confined to £668,798—from £3,388,970 to £2,720,172. Indeed, once the latest tax adjustment is taken into account, the sum available for distribution has risen from £3,388,970 to £3,754,130, providing a very comfortable cover to the £569,038 paid out in equity dividends. But investors have a lesson to learn from this experience. There are grounds for hoping for a stream of profit increases in the near future from companies that had experienced a recession last year, and that have since recovered from it; but any boom based on this, in view of current uncertainties in America, can only be tentative—and must certainly be selective.

Britain against Convertibility

THE speeches delivered by Mr Butler and Mr Maudling to the OEEC meeting in Paris last week deserve a welcome in present conditions of trading uncertainty. But

they do not deserve to escape scot-free from ironic reminiscence. It is, after all, less than eleven months since the Commonwealth conference hatched its famous "plan" for sterling, which—if it meant anything at all—called for a progressive surge towards convertibility (that is, towards allowing soft currency countries to turn into dollars any sterling that they earned), even though that might mean a disappointingly scratchy advance towards liberalisation (that is, towards allowing foreign countries to earn more sterling by exports to Britain). It is less than nine months since a French Finance Minister thundered back Europe's reply that "convertibility, implying a maintenance or intensification of existing import restrictions, is not wanted"; and thereby sent Whitehall into a huff for weeks. Yet last week, while German and Dutch delegates were preaching the cause of convertibility (admittedly, with liberalisation too), Mr Maudling was declaring that, "in the British view, trade and finance should advance hand in hand and liberalisation should not be subordinated to convertibility"; and it was at least partly on British insistence that the final OEEC communique declared that it was only after bearing in mind "that progress by member countries towards convertibility should not be achieved at the expense of the continued liberalisation of intra-European trade and payments" that the Managing Board of EPU should draw up a report (before March 31st next) on "the methods which might be adopted for an orderly transition . . . from the present form of EPU to a wider system of trade, payments and credits."

It would be captious to criticise this turn-round in British policy. The fairest judgment seems to be that a year ago Britain and the Commonwealth put convertibility first, and tried hopefully to insert liberalisation second; now, apparently, they put liberalisation first and convertibility nowhere (except in conditional perorations about the rather distant future). Europe's reaction to the original "plan"; America's slow (and by no means sure) response to the proposals contained in it, and the fear that the American downturn might make easier markets in Europe essential to each country's full employment policy—all these make modifications of the original "plan" very sensible. But it would be an act of decency towards the dead, between now and next March at any rate, to leave the word convertibility out of the politicians' perorations as completely as it is now out of their programme.

Future of EPU

No details are yet available of the imports that Britain will free from quantitative restrictions before the end of this year, in order to increase its liberalisation percentage from 58 to 75 per cent; there is little doubt, however, that some of them will coincide with the goods on which higher duties can be levied under the newly acquired Gatt waiver. Mr Butler made it clear in Paris that Britain has opposed the suggestion of the Secretary General of OEEC, M. Marjolin, that there should be complete liberalisation of intra-European trade for a trial period. Instead, he threw his weight behind the resolution, which was eventually passed, that escape clauses in the liberalisation code should be tightened and that members should, in effect, be

"nagged" unremittingly about any unnecessary restrictions that they maintain. The main immediate sufferer from this nagging, of course, will be France. It has agreed to increase its liberalisation percentage from 8 to 20 per cent, but has been told to report back to OEEC by March 1st next to outline the steps that it proposes to take to advance towards the obligatory target of 75 per cent. Surprisingly little seems to have been said in Paris, however, about one of the main inconsistencies of the whole OEEC formula—namely the artificial way in which these liberalisation percentages are worked out. They are percentages of each country's imports in the base year 1949, but with the reservation that imports on government account do not count as imports at all; the result of this formula is that some of the countries of Southern Europe boast of very high liberalisation percentages, although they still maintain a total ban on imports of some of the most important manufactured goods entering into international trade.

Mr Butler also successfully opposed proposals from the German and Dutch delegates that EPU should be "hardened," by increasing the proportion of each country's monthly surplus or deficit that must be settled in gold. The Ministerial Council is to meet again before April of next year to discuss any new advances that might be possible towards further liberalisation or towards widening the very restricted area of multilateral payments that EPU now embraces. On present indications, however, EPU is likely to be extended in very much the same form as at present for the year to June, 1955, except that some member countries may claim the right to give shorter notice of withdrawal than is now allowed.

Disquiet over Dollars

It would be a mistake to draw much comfort from the fact the gold and dollar reserves rose by \$34 million in October, compared with increases of only \$17 million in September and \$13 million in August. Last month's receipts included \$13 million of defence aid from America and \$6 million of gold from the European Payments Union. The "residual" surplus, which for the most part reflects the sterling area's direct current balance with North America, therefore amounted to \$15 million this October, compared with \$50 million in October, 1952. The normal seasonal pattern should be for the sterling area's balance with the United States to swing into comfortable surplus in the period from October to April, when American buying of certain staple Commonwealth commodities reaches its peak. It is inevitable that some connection should be drawn between last month's mildly disappointing results and the fact that the provisional estimate for the American index of industrial production in October (like the revised estimate for September) is a full 4 per cent below the springtime peak. If America's "adjustment" should now gather pace, it may be that the effect of its reduced purchases on the sterling area's balance will be disguised by favourable seasonal influences. This might be important, for speculators are less likely to be aroused by a fall in the usual winter surplus than they would be by an increase in the usual summer deficit; and British Government spokesmen are unlikely to go out of their way to explain this intricacy to them.

Unfortunately, however, there are signs that it may be difficult to maintain a dollar surplus this winter at all. The sterling area's balance with Western Europe in October is provisionally estimated at a deficit of £10.8 million, compared with a surplus of £4.3 million in September (when there was a special debt payment of £8.7 million to Britain from France). Half of the October deficit will have to be settled by a transfer of some \$15 million of gold to EPU in the middle of this month; this compares with the receipt of no less than \$96 million of gold from EPU in November, 1952, when special receipts from the com-

TREND OF DOLLAR SURPLUS
(\$ million)

	Gold payments (—) or receipts (+)			American aid	Change in reserves	Reserves at end of period
	EPU settlements†	Purchase of "arbitrage" commodities	Residual gold and dollar balance			
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
June, 1953....	+ 10	...	+ 8	+ 28	+ 46	2,367
July, 1953....	+ 2	...	+ 51	+ 36	+ 89	2,456
Aug., 1953....	— 6	...	Nil	+ 19	+ 13	2,469
Sept., 1953....	— 15	...	+ 4	+ 28	+ 17	2,486
Oct., 1953....	+ 6	...	+ 15	+ 13	+ 34	2,520

* 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.

modity arbitrage scheme were at their height. No official explanation has been vouchsafed of this surprising and unseasonal deficit with EPU; none of the recent liberalisation decisions, of course, has yet begun to take effect. One possible explanation is that although Britain's own terms of trade have improved notably this year, the sterling area's terms of trade have probably deteriorated; and there is a danger that the fall in commodity prices may show up disturbingly in the winter season when those commodities are sold.

Postscript on the Loan

At first glance, the clearing banks' statement for October—the first since the Government's refinancing operation—seems to suggest that the cash portion of that operation may not have been quite so resounding a success as has been universally assumed. The total investment portfolios of the clearing banks rose during the five weeks to October 21st by only £101 million, a figure that is not easy to square with the guess that about £200 million of the £341 million of total cash subscriptions for the new Exchequer stock came from the banking system as a whole (including the

non-clearing institutions) and that the "departments" took up roughly £100 million. It seems probable, however, that the clearing bank figures to some extent understate the banks' participation. The operation as a whole, and especially the popularity of the new 1957 Serial Funding Stock (which was not offered for cash subscription) set in motion some complicated switching transactions in the market, and it seems likely that part of the resultant demand for the 1953 stock for exchange into the 1957 was satisfied by the banks, who may also have been sellers of other stocks, too.

But, in either case, the ultimate counterpart of such sales was probably provided by the authorities themselves, perhaps in the form of purchases of the 1952-54 War Bonds that mature next March. Hence, although "genuine" cash subscriptions for the Exchequer Stock may have been larger than the bank statements imply, it remains true that the authorities did not immediately secure a fully corresponding net inflow of cash. And it seems equally clear that the initial share of the authorities in the new stock must have been rather larger than the first impressions implied. The success of the operation, however, has to be judged as a whole, and it seems evident that the conditions created in the gilt-edged market must have provided the authorities with steadily improving opportunities for the release of other stocks. For these reasons, notwithstanding the unexpected appearance of the banking figures, it is too soon to revise significantly the first judgment about the success of the Treasury's tactics. Meanwhile, although bank investment portfolios have expanded only moderately, they necessarily reach a new high level, at £2,238 million; and, more striking still, their ratio to deposits has leapt from 33.8 to 35.1 per cent—which, with the exception of one month early this year—appears to be the biggest proportion ever attained.

Record Bank Deposits

AN even more unexpected feature of the bank statements is the smallness of the decline in the portfolios of Treasury bills—for the supply of bills was known to have been sharply reduced early last month by official purchases designed to ease the pressure of loan subscriptions upon the market. The banks' portfolios dropped in the five weeks by only £35 million, and since there has been little change in the banks' other liquid assets, the liquidity ratio has dropped by only 0.8 per cent, and still stands at the high level of 36.6 per cent. Last year, when the funding operation was virtually enjoined upon the banks, the ratio was reduced from 38.0 to 34.4 per cent.

The narrowness of this movement in liquid assets is, of course, partly a consequence of the moderateness of the net increase in bank investment portfolios. But to a large extent—to the extent, in fact, of the difference of roughly £70 million between these two movements—it is evidently a reflection of new borrowings from the banking system by the central government for its current needs. The Exchequer was in fact in deficit on its domestic finances during the period to approximately this extent, after allowing for receipts from tax certificates and for the presumed "departmental" share in the call on the Gas Loan—without, however, taking credit for any genuine non-bank sub-

scriptions to the new loan. But in the corresponding (four-week) period last year, when the domestic deficit was approximately the same, the Government's apparent demands on the banking system were very small—despite the substantial surplus that had then to be financed on the external balance of payments. The upshot is a rise in net bank deposits by £61 million, to the new peak of £6,156 million, in contrast with a rise of only £15 million last year. This last disparity, however, may not be significant; con-

LONDON CLEARING BANKS

	October 21, 1953	Change on	
		Month	Year
	£ mn.	£ mn.	£ mn.
Deposits	6,373.3	+ 53.7	+ 206.2
"Net" deposits*	6,155.6	+ 60.5	+ 214.1
	£ mn.	%†	
Liquid assets	2,334.4	36.6	+ 32.0
Cash	518.4	8.1	+ 3.5
Call money	476.1	7.5	+ 0.6
Treasury bills	1,286.7	20.2	+ 35.3
Other bills	53.1	0.8	+ 0.7
Investments plus ad-			
vances	3,892.1	61.1	+ 92.9
Investments	2,238.1	35.1	+ 101.2
Advances	1,654.0	26.0	+ 8.3

* After deducting items in course of collection.
† Ratio of assets to published deposits.

ceivably, it has been mainly caused by distortions arising from the difference between the dates of the Exchequer and banking returns and by the fact that the latest period was one of five weeks.

Meanwhile, demands for bank advances for the private sector of the economy seem to be rising again. For the second month running, the decline in total bank advances has been substantially less than the amount of the relevant call on the Gas Loan (which presumably was promptly applied by the Gas Council in repayment of its own bank indebtedness). But, thanks to the Gas repayments, the ratio of total advances to gross deposits has declined again, to 26.0 per cent.

Agreement on the Film Levy

ALMOST at the last stroke of the clock, the branch organisations of the Cinematograph Exhibitors' Association voted in favour of the draft agreement for a "voluntary" film levy already approved by the industry's three other associations; and thereby averted the statutory levy that the Board of Trade had promised to introduce if the industry could not settle its differences by October 31st. In a few days' time the industry will present the Board of Trade with two documents, one containing the new levy agreement, and the second solemnly warning the President that the agreement will not solve the industry's problems. The industry's associations have resorted to

this face-saving gesture because the President had told them that he would not accept an agreement that contained any reservations.

The new "voluntary" levy will not come into operation until next June, when the present Eady agreement expires. The present (downward) trend of cinema attendances suggests that it may yield about £2.3 million a year, which will be paid into a fund to help film production. Neither the producers nor the exhibitors like the agreement. The producers had asked originally for £3 million a year; and the exhibitors complain that a formula that takes account only of the number of seats sold and that disregards rising costs and falling gross receipts obliges them to pay out a higher percentage of net revenue than in the palmy, pre-television days when cinemas were full. The widespread complaint that the levy is eating away a large slice of exhibitors' net profits has now broadened into a complaint that many exhibitors are making no net profits at all.

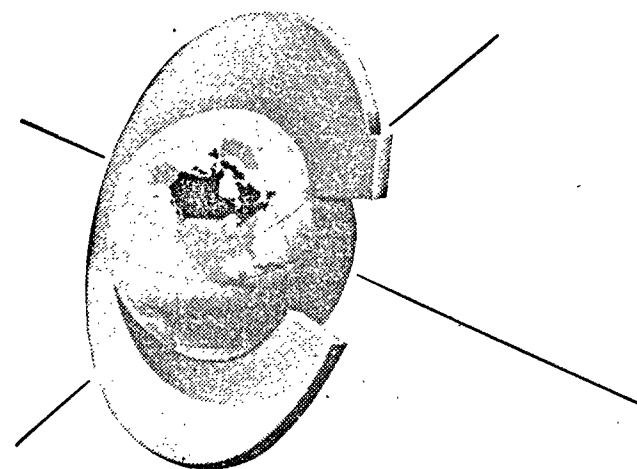
Both sides of the industry are hoping for a further cut in entertainment tax in April, and each would rather have drawn up the levy agreement when it knew what the budget contained, instead of five months before it. Both sides will vehemently oppose any suggestion that more than a nominal portion of any reduction in tax should be passed on to cinema patrons, but there are the makings of a first-class row about how the rest of the cut (if it comes) should be divided between the production fund and the exhibitors' pockets. The film producers will certainly expect a share big enough to raise the fund to their original figure of £3 million, while the exhibitors are relying on pocketing a big enough share of any tax reduction to put their cinemas back on a profitable basis. The idea that a reduction in seat prices might be a better way of filling the cinemas again has not, apparently, entered into the industry's calculations.

Skeletons in the Tax Cupboard

IN the memorandum* on death duties that it has submitted to the Chancellor of the Exchequer, the Federation of British Industries has rattled some of the most irritating skeletons in the Inland Revenue's cupboard. It is a major and legitimate source of business complaint that the law relating to the valuation of business assets for probate purposes is so riddled with anomalies and uncertainties that not even the Solomons of Somerset House find it easy to interpret it. When the owner (or part-owner) of a small business dies, there is often a dreary battle between the executors, who opt for the most lenient, and the Estate Duty Office, which chooses the strictest, interpretation of that law; sometimes a reasonable compromise is reached only after years of haggling, when the executors threaten to appeal to the High Court. While this haggling goes on, production is likely to be retarded; for it is a mistake to assume that business efficiency is wonderfully concentrated when the business itself is sitting on the executioner's block. In order to reduce these delays, the FBI suggests that appeals on the valuation of an estate should be submitted to an independent tribunal, leaving

* Estate Duty and the Family Business. Federation of British Industries. 1s. 6d.

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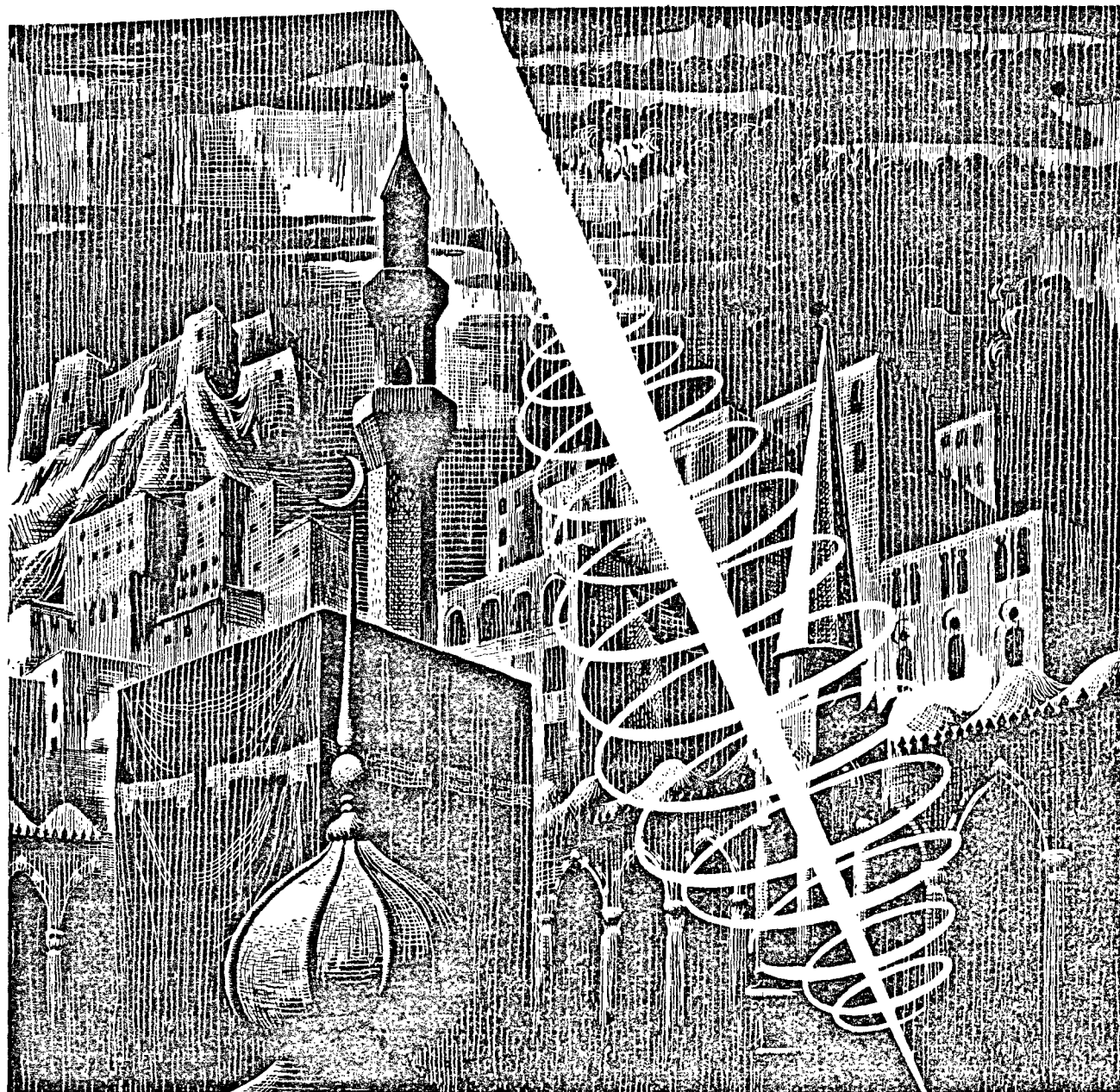
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the High Court to settle any appeals on a point of law. The continuity of a business, which represents an important part of the goodwill of any family concern, is also threatened when the state demands a lump sum in cash for the payment of duty. To make it easier for a private company to convert its non-liquid assets into cash for this purpose, the FBI suggests that the Inland Revenue should allow the duty to be paid off in instalments.

The FBI also tilts its lance at the provisions of the 1940 Finance Act that seriously weakened the over-riding principle that the probate value of an estate should be the price that it would fetch if sold in the open market. Broadly speaking, the result of these provisions is that when an individual is deemed to have "controlled" a private company at any time within five years of his death, his holdings may be valued for probate not upon their open market value (based on yield considerations) but on the proportion they represent of the net assets of the company. The FBI suggests that this method of valuation should be regarded as exceptional; that assets in these cases should usually not be valued on a "break-up" basis but on the basis of what they would fetch if the business was sold as a going concern; and that "control" over a business should be deemed to exist only when control has been deliberately exercised.

The FBI also urges that, when a *bona fide* reorganisation of a private company is planned, the Estate Duty Office should exercise discretion in implementing the provision under which a company is liable for estate duty on any benefits that one of its members received on transferring property to that company at any time within five years of his death. In making this and its other recommendations the FBI does not pretend to be doing anything more than nibble round the problem; the heart of its case rests in its downright assertion that death duties as a whole are too high.

Reviving Uniscan

AN almost unnoticed, or at any rate singularly unpublicised, meeting of the four partners of Uniscan—the United Kingdom, Sweden, Norway and Denmark—took place in Stockholm towards the end of October. In retrospect, it seems to have achieved at least one resounding success. For when Mr Butler announced the increase in Britain's basic travel allowance from £40 to £50 a year, along with his other liberalisation measures, in Paris last week, he also restored one of the distinguishing marks of Uniscan, namely the virtual removal of all restrictions on the expenditure of British tourists visiting Scandinavia. Uniscan, in its original conception in 1950, was an agreement for the mutual exchange of certain privileges between the four countries. The privileges extended by Britain in 1950 were the lifting of the tourist allowance for Scandinavia to £200 (or more if a case for it was made out), permission for Scandinavian countries to repatriate sterling capital and to borrow in the London market, and certain privileges about royalty payments.

The most important of these discriminatory favours sank without trace during Britain's balance of payments crisis in 1951. The tourist allowance for Scandinavia was reduced to the low common denominator for non-sterling and

non-dollar countries as a whole; it was £40 up to last week. The Scandinavians also lost their right to repatriate capital from Britain; for close inspection showed that some of the "Scandinavian blocked sterling" that went through the gap was not of Scandinavian origin at all. Uniscan thus became little more than a friendly debating club. The agenda for the October meeting suggested that it was going to remain so. The delegates were reputed to have come together to discuss such subjects as convertibility, liberalisation of trade, Britain's tariff intentions, *Gatt et hoc genus omne*. But it now looks as if they must also have discussed some topics a little less general than that.

Oscar for Accounts

IN deciding to make one or more awards each year to public companies "in relation to the form and contents of their reports and accounts," *The Accountant* has borrowed a very worthwhile idea from across the Atlantic. In the United States similar "Oscars" have been remarkably successful in encouraging companies to present more facts and figures in their reports than is strictly necessary by law and to present these facts in an intelligible and attractive way. In this country, too, many of the giants of industry have taken an increasing pride in issuing reports that can stand up to comparison with those published on the other side of the Atlantic. But there are still too many laggards. It is still possible, for instance, to read a British company report from cover to cover without discovering what products the company manufactures; while charts and tables showing the company's turnover in domestic and export markets, its outstanding orders and so forth are still the exception rather than the rule. When the intricate accounting details required by the 1948 Act are left unexplained it is no wonder that these reports are quickly thrown into the waste paper basket. Only too frequently a British stockholder remains unconscious—as certainly is not the case in the United States—of his status in a company. Although *The Accountant* has kept the conditions of the competition in general terms, it is presumably such facts as these that it will bear in mind when deciding which are good company reports; its initiative prompts a wild temptation to offer a booby prize for bad ones.

No Buffer for Rubber

THE always doubtful prospect of an international buffer stock, which might stabilise the price of natural rubber, is now dead. That is the clear implication of the communique issued this week by the management committee of the International Rubber Study Group after three weeks spent in discussions in London. The committee found that no real change had taken place in the views of the participating countries, on the desirability of a buffer stock agreement, since they last met in Copenhagen in May. The United States, the largest consuming country, and some other consuming countries are as opposed to it as

ever, whilst the main producing countries still favour it. The natural rubber growers are going through a hard time—the price has fallen in the last six months by 6d. to 16d. a lb., at which it is unprofitable to many growers—and if their appeal is unsuccessful now, there is no reason to expect that it will be any more acceptable in the future. The committee recognised that the apparent surplus of natural rubber this year should be nearer to 170,000 tons than its estimate of 193,000 tons last May, and that the true surplus would be considerably less after making allowance for additions to strategic and consumers' stocks. It solemnly agreed that the natural rubber industry is in a serious state, and recorded the suggestions of certain members of measures that might be taken to relieve it.

These are not, for once, aimed solely at the United States, although the more practicable of them do concern that country. It was suggested once again that the American government should raise the price of GR-S synthetic rubber, and also that it should re-examine its methods of rotating the strategic stock. The rotation policy is certainly partly to blame for the depressed state of the market. The sale to manufacturers, for delivery up to six months ahead, of low-grade rubber from the strategic stock has widened the discount in the market on those grades, and helped to pull down the price of high-grade rubber too. It was also suggested that the American government should revoke a directive regarding the level at which the mandatory consumption of GR-S might be reimposed. This directive calls for a minimum consumption of 450,000 tons a year, although the minimum prescribed by American law is 200,000 tons. The present rate of consumption of GR-S is still well above 450,000 tons, but if it should fall towards this figure, American manufacturers might curtail their usage of natural rubber to avoid the possible imposition of controls on their consumption of synthetic.

Cheaper Petrol

THE oil companies have made their second cut in a month in the price of commercial grade petrol and diesel fuel for road vehicles. Early in October, prices were cut by ½d. and ¼d. a gallon respectively, bringing commercial petrol down from 4s. 2½d. to 4s. 2d. a gallon compared with 4s. 5½d. for typical premium grades. This week, prices were again reduced by the same amount so that commercial petrol, now costing 4s. 1½d. a gallon, becomes 4d. a gallon cheaper than most premium grades and 5d. cheaper than the top grade of petrol marketed by Esso.

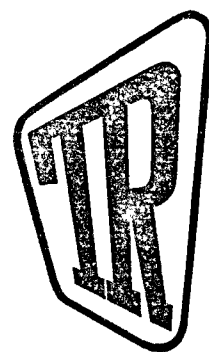
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The intermediate Esso grade, which falls between commercial petrol and the premium grade marketed by most of the other oil companies, has also been reduced in price by ½d. a gallon, bringing it to 4s. 4d.

That there should have been two reductions within so short a time suggests that the oil companies are slightly apprehensive about the market's willingness to absorb the quantities of commercial grade petrol that the refineries are producing. The quantities of premium petrol that can be produced from a given volume of crude oil are determined by the capacity of the cracking plant at the refineries, and especially of the catalytic crackers. The ordinary motorist, who seems to be taking about two-thirds of his requirements in premium grades, is no longer sensitive to minor price adjustments of this kind, especially at some cost in performance. But commercial users may be more sensitive in their choice between commercial grades and the premium petrols that they have been buying fairly freely. In the first half of the year, it is calculated, about 14 per cent of the million odd tons of petrol they bought consisted of premium grades, and the recent reduction of ½d. a gallon does not seem to have tempted them to use more commercial petrol. Perhaps this week's further cut may be more successful. Many of the light commercial vehicles have passenger car engines adjusted to use petrol in the region of 85 octane. Esso's decision to cut the price of the company's intermediate grade (which was not altered in October) suggests increasing competition in this section of the market. The market for petrol is showing a degree of inelasticity that the oil industry had not expected; users of all kinds want, and are prepared so far to pay for, the best.

Insurance at the Door

INDUSTRIAL life assurance—that is to say, life assurance in which premiums are payable at intervals of less than two months and are collected at the door—has changed greatly in character since the war. The life offices are also trying to change its name, to the much more appropriate one of Home Service life assurance. There are still no less than 100 million industrial policies in force, and industrial life funds have risen from £410 million at the end of 1937 to £919 million at the end of 1952. The latest report of the Industrial Insurance Commissioner, the first full report to be issued since the war, shows, however, that business is much less buoyant in this branch than in the ordinary branch, where staff pension schemes have added so much grist to the mill. Only 6.1 million new industrial policies, with a total of £267.6 million new sums assured, were sold in 1952; this was £12.8 million higher than in 1951, but it was £19.2 million less than in the peak year 1947—and it compares with no less than 11.1 million new policies sold in 1937 (when £219.9 million of new industrial sums were assured). The doubling of the average size of new policies (to about £45) has thus done little more than make up for the decline in the number of new policies sold; it should be noted, however, that new industrial life policies are now usually endowment assurances or whole life policies with periodical endowment payments, while before the war they were preponderantly whole life contracts (to pay for funeral expenses). This represents a very significant change in the working man's insurance habits.



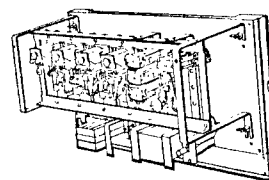
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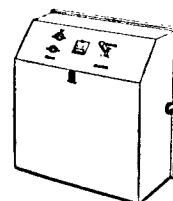
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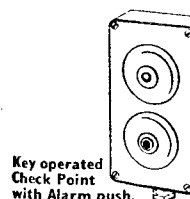
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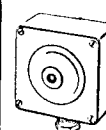
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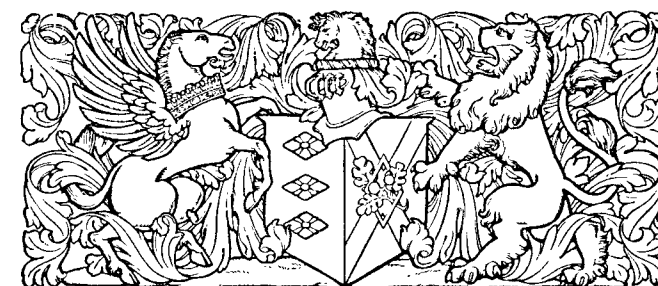
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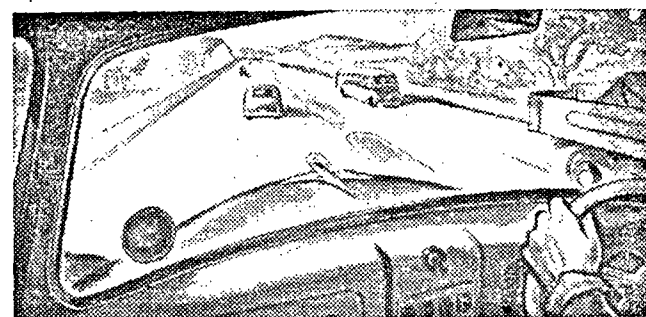
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About three-quarters of all industrial life assurance is transacted by 14 industrial assurance companies, with the Prudential and the Pearl accounting for 49 per cent of the whole. The other quarter is shared among 115 "collecting societies," which are registered friendly societies; the Liverpool Victoria and the Royal Liver together dominate this field, with £139.7 million of the collecting societies' total of £172.5 million of industrial life funds. At the end of 1952 the collecting societies held 33.4 per cent of their assets in British Government securities, 17.0 per cent in British Municipal securities, 19.6 per cent in mortgages, and the remainder in property and miscellaneous assets (with an average yield of 3.8 per cent in the year). The average yield on the industrial assurance funds of the companies, however, was 4.5 per cent, but their assets are not usually listed separately from those held against liabilities under other classes of insurance. The percentage of premiums absorbed in expenses (mainly staff costs) continued to creep up in 1952, to 30.8 per cent for the companies and 38.9 per cent for the societies; but it was still below the 1937 expense ratios of 31.5 per cent and 39.7 per cent respectively. Fortunately, there was a fall in 1952 in the proportion of industrial assurances forfeited without the grant of free policies or the payment of surrender values (because of the discontinuance of premiums soon after purchase of the policy); but this proportion, at 18.3 per cent for the companies and 23.4 per cent for the societies (compared with an average of 21.9 per cent for the companies and 23.3 per cent for the societies in the three preceding years) was still distressingly high.

Rayon's Recovery at Home

THERE is no longer any question about the genuineness of the rayon industry's recovery from last year's slump; in September the combined output of continuous filament and staple yarn reached 36.2 million lb, barely a million lb short of the peak output of 37.1 million lb attained in July. This recovery has, however, been wholly attributable to the remarkable buoyancy of the home market. In the first nine months of this year the value of the industry's exports was slightly less than £33 million, or only a little above the slump figure of £31 million for the corresponding period last year; in the first nine months of 1951, the industry had achieved an export total of £48 million. This disappointing performance in export markets formed an important theme in the speech made this week by Sir William Palmer, chairman of the Rayon Federation, at its annual general meeting. He attributed it to import restrictions in Australia and South Africa, two of the best markets in 1951; to the high level of stocks that had been built up by foreign customers, stocks have been slow to run down and even more slowly replaced; and to foreign, including local, competition. The development of local industries, protected by tariffs, is something that the British manufacturer naturally cannot counter; and these protective tariffs are almost invariably outside the authority of Gatt, so that exporting countries can claim no redress. Talks that Sir William has had with Australian representatives have made it clear to him that the Australians intend to spare no effort to build up a local rayon industry.

The recovery at home is, in Sir William's view, due to re-stocking by traders all down the distribution line, just as last year's slump was due to the deliberate running down

of stocks. He does not believe that actual consumption has altered very greatly over the period. Fabrics made from spun rayon have recently come back into favour and they, with filament yarn, provide the only two bright spots on the industry's export record. Owing, however, to the industry's and the Board of Trade's system of classifying all synthetic textiles as "rayon," it is impossible to do more than guess how high a proportion of the rising production consists of yarn such as nylon, "terylene" and "ardil." They probably account together for about 1.5 to 2 million lb a month, but the proportion is bound to rise as the new plants come into production, while it is quite impossible to form any opinion of their export performance. The present method of classification is clearly becoming an anachronism.

Problems in Tungsten

HARDLY a week goes by now without another reduction in the Ministry of Materials' prices for tungsten ores, the mineral that is used in the manufacture of high speed steel and other cutting tools. In the last seven weeks prices have fallen by over £3 (per unit of 22.4 lb). The latest reduction, which promptly followed the decline on the world market, is by 25s.—to 245s. a unit for wolframite and 230s. for scheelite. The market had soared from about 100s. a unit before Korea to 700s. a unit when the crest of the boom was reached in May, 1951; it has been dropping steadily ever since. The recent collapse appears to have been touched off by renewed selling pressure from producers and merchants in the Far East. The prolonged weakness of prices is the natural reaction to the heavy over-buying by the United States and other western countries during the early period of the Korean war, when supplies from China, then the main producer of tungsten, were cut off and an acute shortage was feared. Production in other countries, however, was expanded so successfully that the market has long been saturated with supplies.

During the period of panic buying the Ministry of Materials felt obliged to try to ensure that British industry would not go short, and it burned its fingers badly in doing so. It concluded long-term contracts at high prices with overseas producers, as the only means of inducing them to expand production, and it also bought heavily on the open market. But the estimate of Britain's requirements proved to be far too high. The Ministry was left not only with stocks much larger than it could hope to dispose of in a reasonable time, but also with purchase contracts that still have several years to run. The market value of the official stocks has probably now been halved by the fall in prices. Three courses seem open to the Ministry. It can continue as the sole supplier of tungsten, to ensure that domestic demand is wholly met from official stocks. Or it can return the trade to private hands but itself enter the market as a seller — which might depress prices further. Or it can partially decontrol the trade and make consumers buy from the Ministry a certain proportion of their requirements. The last two courses would simply prolong the sale of its stocks. The first might minimise the already substantial loss of public funds. The new Minister of Materials, Lord Woolton, who has a proper partiality for private trading, may well take the second course and not weep overmuch about writing off his losses.

Conserving Manganese

THE supply of manganese "continues to cause some concern in Western Europe." This was the conclusion of a recent report by OEEC on "Manganese in the Iron and Steel Industry—Use, Recovery and Supplies." As Russia and China were large suppliers of manganese before the war—and have since had to be replaced by India, North, West and South Africa—the conclusion is hardly surprising. The gross amount of manganese used per ton of steel in the United Kingdom is higher than in any other West European country, and hence the OEEC's "concern" for supplies is particularly important to this country. Manganese is used to remove oxygen and sulphur from iron and steel, and to increase toughness and welding properties. British consumption is high because domestic iron ores are low in manganese, and domestic coke has a high sulphur content. Moreover, the quality of many British steels calls for a higher manganese content than foreign steels.

The report described the methods used for recovering and conserving manganese in America and Europe, in the light of replies by member countries to questionnaires that OEEC had sent out. But it did not discuss how far these conservation measures could be applied to British practice. The technical indications are that none of them is markedly applicable to the British industry in its present physical form. Only by greatly increasing the proportion of steel made in Britain by the converter process (at present some 7 per cent) would the prospects be substantially improved. There has been no sign of any such intention in the iron and steel industry's postwar development plans, although there are hopes of some savings through sulphur reduction by increased sintering of ore and coke fines as new plants come into operation. But it still seems likely that Britain will have to continue to import nearly half a million tons

of manganese ore each year. The authors of the British industry's development plans probably consider that capital investment might be better employed in mining and railway equipment in the countries of supply than in complex and debatable re-equipment of Britain's iron and steel industry. How far the difficulties in the supply of manganese are due to inadequacies of plant in the mines and the transport undertakings abroad was not discussed in the OEEC's report. It might well repay study.

Ivory Prices Firmer

THERE was good competition for nearly all the three tons of elephant tusks offered at the quarterly ivory auctions in London last week. The offering was smaller than the average of five to six tons, and met a ready demand from the home trade, Continental and other overseas buyers. Prices of medium grades, including bangle and ball sizes, were up to 20 per cent higher than at the previous sales, and sound tusks were steady at about their previous levels. Bangles realised between £77 and £83 a cwt for oversize grades, and the heaviest soft Mozambique sound tusks realised about £120 a cwt.

Supplies of good quality ivory in London have been rather short since the war, owing partly to the restrictions on the killing of elephants in some African countries and partly because the main consumers now purchase more ivory direct. Demand, however, has suffered from the competition of plastics, particularly in billiard and snooker balls, most of which are now made from this material. Ball sizes of scrivelloe tusks, which come from the female elephant, have consequently lost their former premium and now fetch some £80 a cwt. Sound tusks suitable for the manufacture of piano keys are also meeting strong competition from the plastic material.

the spring of this year, when—to quote the directors' report—a "boom" replaced months of "quiet trading." Since the end of the financial year (June 30th) sales have shown a further improvement, thanks "probably to restocking by distributors

	Years to June 30, 1952 1953	
<i>Consolidated earnings:—</i>		
Trading profit.....	2,523,713	3,143,794
Total income.....	2,679,180	3,289,389
Depreciation.....	375,221	397,619
Taxation.....	1,266,943	1,510,867
<i>Net profit.....</i>	<i>881,082</i>	<i>1,211,597</i>
Deferred ordinary divs.	147,699	185,679
Deferred ordinary divs. (per cent).....	12½	15
Retained by subsidiaries	264,211	49,600
General reserve.....		600,000
Specific reserves.....	300,000	250,000
Added to carry forward.	<i>Dr. 3,502</i>	<i>Dr. 34,143</i>
<i>Cons. balance sheet:—</i>		
Fixed assets, less depreciation.....	5,194,906	5,291,487
Net current assets.....	9,793,727	10,618,115
Stocks.....	7,936,377	5,549,787
Cash.....	527,548	2,047,904
Bank overdrafts.....	1,104,444	121,518
Reserves.....	6,535,097	7,400,823
Deferred ord. capital.....	2,250,655	2,250,655
<i>£1 deferred stock at 60s. 7½d. yields £4 19s. per cent.</i>		

who (had) allowed stocks to run down." Despite the quiet trading conditions in the first nine months of the financial year gross profits rose quite sharply, from £2,523,713 to £3,142,794. This advance, which must have owed something to an expansion in margins, was not accompanied by as heavy an increase in taxation as might have been expected, so that the group's net profits

rose by £330,515 to £1,211,597. This increase has enabled the directors to make generous appropriations to reserves as well as to raise the deferred ordinary dividend from 12½ to 15 per cent.

The consolidated balance sheet shows further symptoms of a return to health, including a fall in working capital commitments and a consequent reinforcement of liquid reserves. Stocks have fallen in book value from £7,936,377 to £5,549,787; while the group's cash balances have mounted from £527,548 to £2,047,904, its bank overdraft has to all intents and purposes been liquidated (falling from £1,104,444 to £121,518). This reinforcement of reserves, together with the increase in profits and the rosier prospect for the immediate future, make the new dividend (which is covered no less than six times by net earnings) look a little niggardly.

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CROMPTON PARKINSON.

The preliminary statement issued by Crompton Parkinson for the year to June 30th last is even more cheering than—though it falls into a different category from—the reports issued by Fisons and the Wall Paper group. Manufacturers of electrical capital goods continued to thrive while the industries producing consumer goods experienced a slump in trade in 1951-52. The story here, therefore, is of progress from strength to strength and not from sickness to health. The group's total income before tax has again risen sharply, from £1,690,937 to £2,058,871; and, as the provision for taxation is not very much higher than it was in 1951-52, the group's net profits have risen from £397,934 to £662,713. In the directors' view these "much improved results of the past year's operations justify a substan-

tial increase in the amount distributed to the stockholders." And a most substantial increase it has proved to be, for the total equity dividend has been raised from 11½ to 20 per cent.

There is one note of caution. Part of the new dividend is described as a "special cash bonus" of 7½ per cent; the directors explain that they "still find merit in distributing profits to the stockholders partly in the form of a special cash bonus which can be varied from year to year as the fortunes of the company vary and intend to use it for that purpose in the future." In many ways these excellent results from Crompton Parkinson are rather surprising. Most investors had assumed that, the biggest increases in profits this autumn

	Years to June 30, 1952 1953	
<i>Consolidated earnings:—</i>		
Income, before tax.....	1,690,937	2,058,871
Taxation.....	1,082,120	1,135,415
Specific reserves.....	210,883	125,048
<i>Net profit.....</i>	<i>397,934</i>	<i>662,713</i>
Ordinary dividends.....	182,521	340,620
Ordinary dividends (per cent).....	11½	20
Retained by subsidiaries*	76,278	64,303
Unallocated surplus...†	258,215	360,825
<i>5s. ordinary stock at 15s. 6d. yields £6 9s. per cent.</i>		
* Including minority interests. † Including profits relating to previous periods and provisions no longer required (1952, £152,000; 1953, £136,501).		

would be supported by those companies that had suffered most severely in the recession of 1951-52. On balance (as the disappointing results from Tube Investments, discussed in a business note on an earlier page, show) this still seems the wisest view; but behind and beyond it, of course, lies the knotty problem of sifting out those securities that might also suffer most severely in the (still hypothetical) recession of 1954-55.

THE ACTUARIES' INVESTMENT INDEX

Group	Price Indices (Dec. 29, 1950=100)					Average Yields (per cent)				
	Oct. 28, 1952	Dec. 30, 1952	Aug. 25, 1953	Sept. 29, 1953	Oct. 27, 1953	Oct. 28, 1952	Dec. 30, 1952	Aug. 25, 1953	Sept. 29, 1953	Oct. 27, 1953
2½% Consols.....	83.7	82.4	85.6	90.1	90.0	4.23	4.29	4.13	3.92	3.93
<i>Debt securities:</i>										
Industrial.....	81.1	81.1	84.1	86.7	87.2	5.08	5.08	4.89	4.75	4.72
Investment trust.....	79.8	81.8	84.3	87.5	88.1	5.17	5.05	4.89	4.72	4.68
<i>Preference stocks:</i>										
Industrial.....	85.1	85.6	88.0	91.0	91.5	5.33	5.30	5.15	4.98	4.96
Investment trust.....	82.6	84.0	85.4	87.1	87.6	5.34	5.25	5.16	5.06	5.03
<i>Ordinary stocks:</i>										
Banks.....	82.3	81.2	90.8	92.2	97.3	4.91	4.98	4.50	4.44	4.26
Industrial insurance.....	100.7	97.8	111.1	113.3	114.3	5.62	5.80	5.21	5.09	5.04
Investment trust.....	111.7	110.5	124.0	127.0	129.9	5.63	5.69	5.57	5.43	5.46
Electrical engineering.....	93.7	93.7	99.6	99.8	103.9	5.86	5.91	6.05	5.91	5.42
Engineering.....	103.0	105.1	110.6	111.5	113.5	5.36	5.34	5.34	5.30	5.20
Motors and aircraft.....	104.6	105.1	112.0	116.7	117.3	6.21	6.36	6.06	5.82	5.86
Breweries.....	96.2	98.2	95.0	98.2	96.2	6.60	6.50	6.84	6.61	6.75
Chain stores.....	108.5	108.2	141.1	145.9	148.5	4.56	4.58	4.47	4.32	4.25
Cotton textiles.....	83.4	85.9	97.6	101.6	104.8	8.34	7.74	6.52	6.76	6.09
Household goods.....	84.3	90.3	97.3	103.7	104.9	6.96	6.62	5.48	5.20	5.22
Rayon.....	71.0	70.9	77.1	77.2	79.8	7.88	7.52	4.49	4.52	4.30
Tobacco.....	80.2	84.9	82.7	84.8	87.5	7.23	6.83	7.13	6.95	6.73
Wool textiles.....	77.9	79.4	96.0	98.6	100.9	7.39	6.48	6.22	5.82	5.64
Chemicals.....	112.9	114.0	119.0	123.1	126.5	5.46	5.51	5.19	5.09	4.94
Oil.....	108.5	104.7	112.2	115.7	118.0	6.77	7.14	6.91	6.71	6.60
Shipping.....	102.9	101.9	108.4	114.5	118.2	7.01	7.05	7.00	6.66	6.46
<i>Total (capital goods).....</i>	<i>102.2</i>	<i>102.9</i>	<i>107.8</i>	<i>109.6</i>	<i>112.0</i>	<i>5.79</i>	<i>5.87</i>	<i>5.95</i>	<i>5.82</i>	<i>5.67</i>
<i>Total (consumption goods).....</i>	<i>88.5</i>	<i>91.7</i>	<i>100.4</i>	<i>103.6</i>	<i>106.0</i>	<i>6.79</i>	<i>6.48</i>	<i>6.16</i>	<i>5.95</i>	<i>5.83</i>
Total industrial (all classes)	96.3	97.5	104.5	107.2	109.8	6.35	6.29	6.08	5.92	5.79

LONDON STOCK EXCHANGE

Next Account begins: November 11th.
Next Contango Day: November 11th.
Next Settlement Day: November 17th.

ALL the signs of a bull market were in evidence in Throgmorton Street this week until dealings began on Thursday. Until then equities had been very strong and gilt-edged stocks seemed to have broken away from the moorings established by the opening of the United Steel subscription lists (through which investors can exchange gilts into the company's new equities). Aided by the Prime Minister's eloquent cheerfulness in the House of Commons and a surprisingly optimistic reading of the rise in the gold and dollar reserves, gilt-edged were especially strong in mid-week; in the week to the close on Wednesday War Loan rose from 83½ to 84½ (including a gain of ½ on Wednesday itself) and old Consols from 63½ to 64 (including a gain of ½ on Wednesday). Even when the demand for equities died away in dealings on Thursday, gilt-edged continued to advance, and War Loan put on another ¼ of a point. In the foreign market, too, turnover expanded appreciably, with German and Japanese bonds making handsome gains; by Wednesday's close the 1930 Japanese loan had risen in a week from 160½ to 169½ and the German Young loan from 92½ to 96.

Just before the week-end buying of blue chips had carried the *Financial Times* index of industrial ordinary shares up to 130.5, the highest point since monetary discipline was revived in November, 1951. Demand for a wide range of industrial securities was stimulated by a stream of more cheerful reports from Wall Street and by a crop of good dividend announcements at home. But the boom was halted on Thursday when the preliminary report from Tube Investments came as a shock.

Among oil shares, only Trinidad Leaseholds shared to the full in this exuberance; the rest were rather dampened by the news that Anglo-Iranian's interim dividend was to be left unchanged. Although copper shares staged a slight rally, commodity shares remained dull; and in the Kaffir market, where little business was reported, prices slipped back.

FINANCIAL TIMES INDICES

1953	Security Indices		Yields	
	Ord.*	Fixed Int.†	2½% Cons.	Ord.
Oct. 28 ...	128.1	111.34	3.93	5.50
" 29 ...	129.5	111.36	3.93	5.44
" 30 ...	130.5	111.38	3.93	5.40
Nov. 2 ...	131.0	111.45	3.92	5.38
" 3 ...	131.2	111.53	3.92	5.37
" 4 ...	131.5	111.74	3.91	5.36
1953, High.	131.5	111.74	3.93	5.50
" Low.	(Nov. 4)	(Nov. 4)	" 29	8,467
	113.9	105.68	" 30	9,493
(May 20)	(Jan. 5)		Nov. 2	11,240
1952, High.	121.5	106.66	" 3	9,306
" Low.	(Jan. 1)	(Jan. 9)	" 4	10,697
	103.1	100.67		
(June 24)	(July 3)			

* July 1, 1935=100. † 1928=100.

Company Notes

FISONS. The long period during which published profits statements have been reflecting the downturn in trade that lasted up to the autumn of last year is coming to an end; the phase in

	Years to June 30, 1952 1953	
<i>Consolidated earnings:—</i>		
Trading profit.....	2,240,341	3,103,116
Depreciation.....	549,989	651,479
Taxation.....	805,201	1,568,596
<i>Net profit.....</i>	<i>643,660</i>	<i>701,429</i>
Ordinary dividends.....	233,024	305,151
Ordinary dividends (per cent).....	10	12½
General reserve.....	375,000	425,000
Added to group carry forward.....	55,362	<i>Dr. 24,992</i>

£1 ordinary stock at 42s. 3d. yields £5 18s. per cent, which they should reflect the recovery in trade and production that has taken place since that date seems to be getting into full swing. The preliminary statement issued by Fisons, the fertiliser manufacturers, for the year to June 30th last falls into this new category.

The group's trading profits have jumped from £2,240,341 to £3,103,116 and, although this has inevitably been followed by a heavier bill for EPL and other forms of taxation, its net profits have risen from £643,660 to £701,429. There are

some special factors to account for this recovery. In 1951-52 the demand for fertilisers had been damped by the backwash from the heavy stockpiling that took place just before the removal of the fertiliser subsidy, and falling prices had forced the group to write £300,000 off stocks. The directors also state that new productive capacity has contributed substantially to the increase in profits in 1952-53; the fact that this has apparently been used to the full is a sign of strong demand. An increase in Fisons' equity dividend, in line with the group's recovery, was foreshadowed last June when the interim dividend was raised from 3 to 4 per cent; this promise of better things to come has now been handsomely confirmed by the directors' decision to raise the final dividend from 7 to 8½ per cent, bringing the total annual payment up from 10 to 12½ per cent.

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WALL PAPER MANUFACTURERS. The full report of Wall Paper Manufacturers tells the same story of recovery from recession as that sketched out in the preliminary statement from Fisons. In this industry, apparently, the recovery did not really get under way until

LONDON ACTIVE SECURITIES

Prices, 1953 Jan 1 to Nov. 4		BRITISH AND GUARANTEED STOCKS	Price, Oct. 28, 1953	Price, Nov. 4, 1953	Net Yield, Nov. 4, 1953 %	Gross Yield, Nov. 4, 1953 %	Prices, 1953 Jan. 1 to Nov. 4		Last Two Dividends (a) (b) (c)	ORDINARY STOCKS	Price, Oct. 28, 1953	Price, Nov. 4, 1953	Yield, Nov. 4, 1953 %
High	Low						High	Low					
100 1/2	99 1/2	War Bonds 2 1/2% '52-54...	100 1/2	100 1/2	0 5 0	2 0 6 1/2	47/6	32/3	10 c	12 1/2	47/6	46/6	5 7 6
100 1/2	98 1/2	Exchequer 2 1/2% 1955...	100 1/2	100 1/2	1 1 0	2 4 10	14/3	10/10 1/2	15 c	5 a	12/9	13/-	7 3 1 1/2
102 1/2	99 1/2	Exchequer 3% 1960...	101 1/2	102 1/2	1 6 9	2 14 3	55/4 1/2	45/3	5 a	10 b	52/6	53/3	5 12 8
100 1/2	99 1/2	Exchequer 3% '62-63...	99 1/2	100 1/2	1 13 2	3 0 6 1/2	51/4	44/6	12 1/2 b	2 1/2	49/3	50/-	6 0 0
99 1/2	98 1/2	Serial Funding 1 1/2% 1954...	99 1/2	99 1/2	1 4 6	2 0 0							
101 1/2	100 1/2	Serial Funding 3% 1955...	101 1/2	101 1/2	0 19 7	2 6 1	34/-	21/4 1/2	7 b	4 a	32/-	33/6	6 11 4
100 1/2	98 1/2	War Bonds 2 1/2% '54-56...	100 1/2	100 1/2	1 1 0	2 7 1 1/2	28/9	21/4 1/2	11 c	12	26/6	26/6	6 0 9 1/2
100 1/2	99 1/2	Funding 2 1/2% '52-57...	100 1/2	100 1/2	1 4 3	2 11 8 1/2	49/9	41/4 1/2	5 a	7 1/2 b	48/6	48/-	5 4 2
101 1/2	99 1/2	Nat. Def. 3% '54-58...	101 1/2	101 1/2	1 5 2	2 13 9 1/2	49/3	37/3	6 1/2 b	5 a	46/-*	47/6*	4 14 9
101 1/2	99 1/2	War Loan 3% '55-59...	101 1/2	101 1/2	1 7 8	2 14 8 1/2	51/7 1/2	38/6	10 b	5 a	49/9	51/3	5 17 1 1/2
97 1/2	91 1/2	Savings Bonds 3% '55-65...	97 1/2	97 1/2	1 18 9	3 6 10 1/2	67/3	49/-	4 a	16 b	64/6	66/-	6 1 3
98 1/2	93 1/2	Funding 2 1/2% '56-61...	97 1/2	97 1/2	1 14 7	2 17 7 1/2			7 1/2 a	12 1/2 b	42/6	42/6	4 14 1 1/2
92 1/2	86 1/2	Funding 3% '59-69...	92 1/2	92 1/2	2 5 5	3 13 11 1/2	44/10 1/2	36/6	2 a	8 b	40/-	40/-	5 0 0
94 1/2	87 1/2	Funding 3% '66-68...	94 1/2	94 1/2	2 2 7	3 11 3 1/2	60/6	51/-	10 b	5 a	57/6	58/9	5 2 1
102 1/2	98 1/2	Funding 4% '60-70...	100 1/2	101 1/2	2 0 7	3 16 6 1/2	46/-	36/6	3 1/2 a	7 1/2 b	38/9	38/9	5 16 2
91 1/2	84 1/2	Savings Bonds 3% '60-70...	89 1/2	89 1/2	2 5 10	3 9 10 1/2	19/6	15/6	6 1/2 b	3 1/2 a	18/3	18/9	5 5 4
103 1/2	98 1/2	Victory 4% '20-76...	101 1/2	101 1/2	2 1 0	3 17 8 1/2	7/7 1/2	5/8 1/2	17 1/2	4 a	7/3	7/3	5 3 5 1/2
89 1/2	82 1/2	Savings Bonds 3% '65-75...	88 1/2	89 1/2	2 6 2	3 15 8 1/2	23/6	23/6	7 1/2 c	7 1/2 c	28/-	27/9	5 8 1
95 1/2	86 1/2	Consols 4% aft. Feb. '57...	93 1/2	94 1/2	2 6 8	4 5 3 1/2	35/10 1/2	25/1 1/2	15 c	15 c	34/9	36/6	4 2 2 1/2
86 1/2	77 1/2	Conv. 3 1/2% aft. April '61...	84 1/2	85 1/2	2 5 1	4 2 1 1/2	47/9	36/6	5 1/2 b	6 a	46/-	47/3	4 6 9
64 1/2	57 1/2	Treas. 2 1/2% aft. April '75...	63 1/2	63 1/2	2 3 5	3 19 1 1/2	96/3	78/6	25 c	25 c	87/6	87/6	5 14 4
75 1/2	67 1/2	Treas. 3% aft. April '66...	74 1/2	74 1/2	2 4 5	4 0 10 1/2	30/4 1/2	28/-	25 c	2 a	30/-	30/-	5 11 1 1/2
94 1/2	87 1/2	Treas. 3 1/2% '77-80...	94 1/2	94 1/2	2 5 1	3 18 9 1/2	71/3	58/6	10 b	5 a	67/6	70/-	4 5 9
94 1/2	90 1/2	Treas. 3 1/2% '79-81...	93 1/2	93 1/2	2 5 0	3 18 4 1/2	7/3	5/3 1/2	12 c	12 c	6/-	6/-	10 0 0
85 1/2	76 1/2	Redemption 3% '86-96...	84 1/2	84 1/2	2 4 1	3 14 6 1/2							
87 1/2	77 1/2	War L'n 3 1/2% aft. Dec. '52...	83 1/2	84 1/2	2 5 6	4 2 8 1/2	23/3	19/-	20 c	5 a	23/-	23/-	4 6 1 1/2
64 1/2	58 1/2	Consols 2 1/2%...	63 1/2	64 1/2	2 3 1	3 18 5 1/2	38/9	35/3	12 1/2 a	37 1/2 b	33/3	34/3	5 16 9 1/2
89 1/2	83 1/2	Br. Elec. 3 1/2% '68-73...	89 1/2	89 1/2	2 7 1	3 16 3 1/2	103/-	85/7 1/2	17 1/2 b	5 a	92/6	92/6	4 17 4
88 1/2	82 1/2	Br. Elec. 3 1/2% '74-77...	88 1/2	88 1/2	2 6 3	3 15 9 1/2	67/-	46/3	15 a	35 b	65/-	64/6	3 17 6
103 1/2	99 1/2	Br. Elec. 4 1/2% '74-79...	102 1/2	102 1/2	2 3 7	4 1 6 1/2	60/4 1/2	44/3	55 c	20 a	59/-	59/9	4 12 5
94 1/2	88 1/2	Br. Elec. 3 1/2% '76-79...	93 1/2	93 1/2	2 5 3	3 18 1 1/2							
85 1/2	76 1/2	Br. Trans. 3% '78-88...	84 1/2	85 1/2	2 6 1	3 16 9 1/2							
89 1/2	83 1/2	Br. Trans. 3% '68-73...	89 1/2	89 1/2	2 7 1	3 16 3 1/2	58/7 1/2	40/11 1/2	12 1/2 b	5 a	55/7 1/2	56/10 1/2	5 5 6
101 1/2	95 1/2	Br. Trans. 4% '72-77...	100 1/2	101 1/2	2 3 4	4 0 1 1/2	43/4	29/9 1/2	4 a	12 b	43/4	43/4	4 9 0
85 1/2	76 1/2	Br. Gas 3% '90-95...	83 1/2	84 1/2	2 4 5	3 14 8 1/2	92/3	75/7 1/2	5 1/2 a	10 1/2 b	90/-	91/3	5 19 7
96 1/2	91 1/2	Br. Gas 3 1/2% '69-71...	96 1/2	96 1/2	2 4 1	3 16 10 1/2	34/4 1/2	23/-	11 1/2 b	5 1/2 a	28/9	33/9	4 9 10
100 1/2	98 1/2	Br. Gas 4% '69-72...	99 1/2	100 1/2	2 4 3	4 0 7 1/2							

(e) To earliest date. (f) Flat yield. (g) To latest date. (h) Net yields are calculated after allowing for tax at 9s. 0d. in £. * Ex dividend. † Assumed average life 12 years approximately.

Prices, 1952 Jan. 1 to Nov. 4		TRUSTEE STOCKS AND FOREIGN BONDS	Price, Oct. 28, 1953	Price, Nov. 4, 1953	Yield, Nov. 4, 1953 %
High	Low				
88 1/2	81 1/2	Aust. 3 1/2% '65-69...	90 1/2	90 1/2	0 5 0
92 1/2	86 1/2	N. Zealand 3 1/2% '62-65...	95 1/2	95 1/2	3 15 9 1/2
98 1/2	89 1/2	S. Africa 3 1/2% '54-59...	98 1/2	98 1/2	3 15 9 1/2
63 1/2	60 1/2	L.C.C. 3% aft. 1920...	73 1/2	72 1/2	4 2 9 1/2
91 1/2	84 1/2	Liverpool 3% '54-64...	95 1/2	95 1/2	3 11 2 1/2
91 1/2	85 1/2	P.L.A. 3 1/2% '66-71...	93 1/2	93 1/2	4 1 3 1/2
103 1/2	97 1/2	Agric. Mort. 5% '59-89...	102 1/2	102 1/2	4 12 3 1/2
68 1/2	61 1/2	Austria 4 1/2% '34-59...	77 1/2	77 1/2	4 7 8 1/2
13 1/2	5 1/2	Chinese 5% 1913...	14 1/2	13 1/2	Nil
68 1/2	43 1/2	German 5% 1913...	67 1/2	70	Nil
85 1/2	45 1/2	German 4 1/2% 1924...	92 1/2	95 1/2	Nil
145 1/2	103 1/2	Japan 5% 1907...	133 1/2	135 1/2	Nil

Prices, 1953 Jan. 1 to Nov. 4		Last Two Dividends (a) (b) (c)	ORDINARY STOCKS	Price, Oct. 28, 1953	Price, Nov. 4, 1953	Yield, Nov. 4, 1953 %
High	Low					
72 1/2	58 1/2	7 a	BANKS & DISCOUNT	71/6	71/6	4 9 6
59 9	46/3	6 b	Barclays "B" £1...	59/6	59/6	4 0 8
79 9	64/-	8 b	Lloyds "A" £5, £1 pd.	78/6	79/-	4 1 0
75 6	59/3	8 1/2 b	Midland £1, fully pd.	75/-	74/6	4 11 3
87 6	70/-	9 b	N. Prov. "B" £5, £1 pd.	87/-	87/6	4 2 3
91 3	67/6	10 b	Westminster £4, £1 pd.	89/-	91/-	3 16 11
55/-	41/4 1/2	5 b	Alexanders £2, £1 pd.	54/-	55/-	3 12 9
49 9	39/-	5 b	Nat. Disc. "B" £1...	49/-	49/6	4 0 10
39 9	32/3	4 b	Union Disc. £1...	39/6	39/6	4 1 0
49/-	39/3	9 b	Barc. (D.C. & O.) "A" £1	41/-	41/-	6 16 8 1/2
			Chart. Bk. of India £1			
9 1/2	7 1/2	85 b	L&G. & Gen. £1, 5/- pd.	9 1/2	9 1/2	3 8 4
2 1/2	17 1/2	40 1/2 b	Pearl £1, fully pd.	21 1/2	21 1/2	5 1 6
39 1/2	32 1/2	100 c	Prudential "A" £1...	38 1/2	38 1/2	4 18 6
			BREWRIES, ETC.			
131/6	114/9	33 b	Bass £1...	125/7 1/2	127/6	6 14 11
18/3 1/2	15/9 1/2	7 1/2 a	Distillers 4/-	17/6	18/-	5 0 0
31/9	27/-	10 b	Guinness 10/-	30/6	30/9	5 10 7
10/-	8/-	8 b	Ind. Coope 5/-	8/6	9/3	6 9 9

† Free of tax. Yield calculated on gross basis. (a) Interim dividend. (b) Final dividend. (c) Whole year's dividend. (d) Yield at 7 1/2% of face value. (e) To earliest date. (f) Flat yield. (g) Includes 2% centenary bonus; yield basis 14%. (h) Also 2% tax free cash bonus; yield basis 18-6%. (i) 12% paid for 9 months; yield basis 16%. (j) Also 5% Coronation bonus, not included in yield. (k) To latest date. (l) Yield basis 10% after capital bonus. (m) Dividend of 17 1/2% for 4 months; yield basis 10 1/2%. (n) Yield basis 8 1/2% after capital bonus. (o) Yield basis 12 1/2% after capital bonus. (p) Yield basis 15% after capital bonus. (q) Yield basis 20%. (r) Yield basis 15% after capital bonus. (s) Yield basis 12 1/2% after capital bonus. (t) Yield basis 19-7% gross. (u) Yield basis 30%. (v) Yield basis 7 1/2%. (w) Also 2 1/2% tax free out of capital profit. Yield basis 50%.

Statistics

The following list shows the most recent date on which each statistical page appeared.

BRITISH		OVERSEAS	
Prices and Wages.....	This week	Western Europe: Production and Trade.....	This week
Production and Consumption.....	Oct. 10th	British Commonwealth.....	Oct. 10th
Manpower.....	Oct. 24th	Western Europe: Prices and Money Supply.....	Oct. 24th
External Trade.....	Oct. 31st	United States.....	Oct. 31st
Financial Statistics.....	This week		
Industrial Profits.....	Oct. 17th		
World Trade.....	Oct. 17th		

Prices and Wages

	Unit	1950	1951	1952	1952			1953			
		mid-June			Oct. 22	Oct. 29	Nov. 5	Oct. 13	Oct. 20	Oct. 27	Nov. 3
WORLD PRICES											
Commodity Price Indicator :											
All items	1952=100	90	126	99	94	94	94	90	91	91	92
Food	"	90	114	100	98	98	98	97	97	97	98
Fibres	"	101	167	99	85	84	83	87	88	89	90
Metals	"	75	99	100	92	91	92	77	78	78	78
Other items	"	97	131	96	100	105	104	99	102	99	101
Monthly averages											
		1950	1951	1952	July	Aug.	Sept.	June	July	Aug.	Sept.
BRITISH WHOLESALE PRICES											
Old series :											
All articles	1938=100	258.7	315.0	323.3	322.5	320.3	318.1	325.4	324.7	322.2	321.4
Food and tobacco	"	227.3	253.9	292.0	296.6	295.5	292.1	322.8	321.9	316.7	314.2
Materials used in :											
Non-food manufacturing	June 30, 1949=100	138.6	193.3	162.1	159.3	157.2	154.9	145.4	143.7	142.6	142.6
Mechanical engineering	"	113.2	134.3	149.9	152.8	151.9	151.4	143.1	144.5	143.2	143.2
Electrical machinery	"	122.0	151.9	165.4	170.7	169.3	168.3	150.8	152.8	149.7	150.0
Building and civil engineering	"	106.1	125.6	133.6	134.0	133.4	133.2	130.2	130.5	130.4	130.1
House building	"	105.2	123.0	130.6	130.7	130.4	130.1	128.5	128.5	128.6	128.4
Commodities :											
Cotton, raw	"	156.8	223.2	171.9	164.4	163.5	164.9	140.0	140.9	140.6	139.8
Wool, raw	"	195.8	252.3	147.9	158.5	158.5	150.2	174.9	171.1	171.1	172.9
Rubber, No. 1 RSS, one month future	"	324.6	499.1	282.8	263.5	254.3	223.6	202.7	192.5	189.1	189.1
Softwood, imported	"	96.3	143.5	158.0	151.4	151.4	151.3	143.7	140.9	140.0	138.3
Copper, ex-warehouse (%)	"	152.2	187.5	220.7	243.6	242.6	242.6	214.5	214.5	197.9	201.3
UK RETAIL PRICES											
Interim index :											
All items	June 17, 1947=100	114	125	136	138	137	136	141	141	140	140
All items	Jan. 15, 1952=100	...	...	102.6	103.8	103.2	103.0	106.6	106.6	105.9	105.7
Food	"	...	...	105.4	108.5	106.8	106.1	113.8	113.7	111.7	111.0
All items	1938=100	185	202	221	223	222	222	229	229	228	227
Food	"	172	191	221	227	224	222	238	238	234	233
Rent and rates	"	114	119	122	123	123	123	130	130	130	130
Clothing	"	216	249	259	257	255	254	253	253	253	253
Fuel and light	"	161	177	197	196	196	197	205	205	205	207
Household durable goods	"	245	288	294	292	292	291	282	284	284	285
Drink	"	314	318	255	256	256	256	257	257	257	257
Tobacco	"	314	318	386	386	386	386	387	387	387	387
Purchasing power of £ (based on all consumer spending)	"	52	48	45	44	45	45	43	43	44	44
UK TERMS OF TRADE											
Import prices :											
All items	1952=100	76	102	100	100	97	96	87	87	87	87
Food, drink and tobacco	"	83	96	100	101	100	99	97	97	96	95
Raw materials	"	71	110	100	99	95	93	80	80	81	80
Export prices :											
All items	"	81	95	100	100	100	99	96	96	97	97
All manufactures	"	80	95	100	100	100	99	97	96	97	97
Metals and engineering goods	"	80	89	100	101	101	101	100	100	101	100
Textiles and clothing	"	84	110	106	96	95	93	92	92	93	94
Terms of trade :											
Ratio of import to export prices	"	95	108	100	100	97	97	91	91	90	90
SHIPPING FREIGHTS											
Tramp shipping freights (fixed in sterling)	"	...	...	100.0	73.5	71.2	76.3	73.8	75.8	73.9	73.9
UK WAGES											
Weekly wage rates :											
All workers	June 30, 1947=100	111	120	130	129	130	131	135	136	136	137
Men	"	110	119	129	128	129	130	134	134	135	135
Women	"	114	123	133	132	133	135	139	140	141	141
Weekly earnings (%):											
All workers	s. d.	128 0	141 1	151 11	...	...	...	...	...	...	...
Men	"	150 5	166 0	178 6	...	...	...	...	...	...	...
Women	"	82 7	90 1	96 4	...	...	...	...	...	...	...
Oct., 1938=100											
All workers	"	240	265	285	...	...	...	...	...	...	...
Men	"	218	241	259	...	...	...	...	...	...	...
Women	"	254	277	296	...	...	...	...	...	...	...

Production and Trade in Western Europe

	Austria	Belgium	Denmark	France	Germany, F.R.	Greece	Ireland	Italy	Netherlands	Norway	Sweden	Turkey
INDUSTRIAL PRODUCTION⁽¹⁾ (1948 = 100)												
1938	118	82	77	90	193	132	76	101	89	86	67	64
1951	179	118	121	125	218	171	133	144	128	133	112	118
1952	181	114	116	131	231	170	124	146	130	133	110	133
1953												
April	181	116	121	129	249	175	...	156	140	129	119	...
May	174	116	122	132	249	183	...	161	135	132	115	...
June	...	113	121	130	248	188	...	158	144	146	117	...
July	...	...	85	...	241	192	...	...	142	100	55	...

	mn. schillings	mn. francs	mn. kroner	'000 mn. francs	mn. D. marks	'000 mn. drachmas	mn. £	'000 mn. lire	mn. guilders	mn. kroner	mn. kroner	mn. £ T.
VALUE OF EXTERNAL TRADE⁽²⁾												
IMPORTS (c.i.f.)												
1938	50	1,922	135	3.84	505	1.2	3.45	0.94	118	99	174	12.5
1951	1,169	10,600	580	133.94	1,227	497.9	17.04	112.80	797	521	766	93.8
1952	1,163	10,252	550	132.64	1,350	432.9	14.35	120.48	694	520	746	129.7
1953												
May	1,324	9,601	503	111.43	1,237	487.3	14.65	127.40	691	506	681	113.3
June	1,143	9,709	521	135.13	1,338	677.2	14.45	127.94	758	600	682	123.3
July	996	10,126	580	119.14	1,034	715.6	15.61	120.11	750	434	649	128.7
August	1,056	9,388	496	100.98	1,244	...	...	...	746	456	585	125.4

	mn. schillings	mn. francs	mn. kroner	'000 mn. francs	mn. D. marks	'000 mn. drachmas	mn. £	'000 mn. lire	mn. guilders	mn. kroner	mn. kroner	mn. £ T.
EXPORTS (f.o.b.)												
1938	30	1,806	127	2.55	468	0.9	2.02	0.88	87	65	154	12.1
1951	803	11,047	476	123.24	1,215	127.2	6.79	85.62	610	369	767	73.3
1952	900	10,212	483	118.04	1,409	149.9	8.41	72.02	660	337	674	81.7
1953												
May	1,028	9,163	459	115.45	1,428	289.1	9.36	72.50	580	269	582	101.5
June	1,139	9,535	526	127.29	1,554	202.3	9.40	72.34	623	298	697	85.8
July	1,178	9,057	462	108.01	1,564	153.1	10.09	81.13	627	286	660	61.2
August	1,203	8,447	457	93.32	1,499	...	...	...	622	288	625	58.0

	mn. schillings	mn. francs	mn. kroner	'000 mn. francs	mn. D. marks	'000 mn. drachmas	mn. £	'000 mn. lire	mn. guilders	mn. kroner	mn. kroner	mn. £ T.
BALANCE												
1938	-20	-116	-8	-1.29	-37	-0.4	-1.43	-0.06	-31	-33	-20	-0.4
1951	-366	+447	-104	-10.70	-12	-370.7	-10.25	-27.18	-187	-153	+1	-20.5
1952	-263	-39	-67	-14.60	+59	-283.0	-5.94	-48.46	-34	-183	-72	-45.0
1953												
May	-296	-438	-44	+4.02	+192	-198.2	-5.29	-54.90	-12	-237	-99	-11.8
June	-5	-174	+5	+7.83	+216	-474.9	-5.06	-55.60	-130	-302	+15	-43.6
July	+182	-1,069	-118	-11.13	+480	-562.5	-5.52	-38.98	-123	-148	+11	-67.5
August	+152	-941	-39	-7.66	+255	...	...	...	-124	-168	+40	-67.4

	mn. schillings	mn. francs	mn. kroner	'000 mn. francs	mn. D. marks	'000 mn. drachmas	mn. £	'000 mn. lire	mn. guilders	mn. kroner	mn. kroner	mn. £ T.
VOLUME OF EXTERNAL TRADE⁽³⁾ (1948 = 100)												
IMPORTS												
1938	266	93	118	102	249	...	79	92	118	100	94	91
1951	212	122	153	126	208	...	117	143	150	132	128	160
1952	217	121	147	129	241	...	93	157	132	128	119	264
1953												
May	222	117	153	119	247	...	103	176	146	124	117	200
June	198	122	...	144	273	...	104	179	153	153	...	221
July	183	...	...	123	261	...	...	...	...	118	...	219
August	...	...	...	105	257	...	...	...	...	...	...	...
EXPORTS												
1938	147	110	139	125	530	...	136	125	156	124	111	107
1951	204	149	195	235	622	...	135	162	242	152	150	124
1952	202	137	186	208	670	...	163	140	256	140	133	180
1953												
May	237	142	196	218	730	...	203	142	241	126	138	197
June	256	149	...	236	778	...	218	138	265	146	...	166
July	274	...	...	204	796	...	...	...	...	135	...	116
August	...	...	...	176	765	...	...	...	...	...	...	...

(¹) This covers mining, manufacturing, electricity and manufactured gas with the following exceptions: Denmark and Greece exclude mining; Ireland and Sweden, electricity and manufactured gas; and Austria, manufactured gas. (²) Special trade (excluding re-exports) with the exception of Ireland which covers general trade; Belgium includes Luxembourg. (³) Average of second quarter.

Financial Statistics

EXCHEQUER RETURNS

For the week ended October 31st there was an "above-line" surplus (after allowing for Sinking Funds) of £8,351,000 compared with a surplus of £8,557,000 in the previous week and a surplus of £28,945,000 in the corresponding period last year, bringing the cumulative deficit to £319,968,000 (£352,926,000 in 1952-53). There was a net "below-line" receipt of £197,000, which brought the total cumulative deficit to £587,487,000 (£695,099,000 in 1952-53).

£'000	Estimate, 1953-54	April 1, 1952 to Nov. 1, 1952	April 1, 1953 to Oct. 31, 1953	Week ended Nov. 1, 1952	Week ended Oct. 31, 1953
Ord. Revenue					
Income Tax	1782,250	540,632	512,800	17,247	13,415
Sur-tax	127,000	38,900	37,900	1,100	1,000
Death Duties	160,000	85,900	95,000	3,400	3,200
Stamps	52,000	28,950	31,500	1,400	1,500
Profits Tax & E.P.T.	214,000	229,500	119,100	7,400	1,100
Excess Profits Levy	99,500	...	40,050	...	1,500
Special Contributions and other Inland Revenue	1,000	1,000	570	...	...
Total Inland Rev.	2435,750	924,882	836,920	30,547	25,715
Customs	1044,300	612,678	626,073	21,149	20,214
Excise	680,480	414,643	407,433	33,540	29,444
Total Customs and Excise	1724,780	1027,321	1033,506	54,689	49,654
Motor Duties	69,000	13,763	15,568	1,021	891
I.O. (net receipts)	2,685	...	...	...	...
Broadcast Licences	16,000	6,650	7,550	1,600	1,700
Sundry Loans	25,000	18,868	19,471	62	31
Miscellaneous	95,000	73,077	81,296	4,178	2,198
Total	4368,215	2064,561	1994,311	92,097	80,189
Ord. Expenditure					
Debt Interest	615,000	344,089	330,826	15,494	1,267
Payments to N. Ireland Exchequer	48,000	21,999	26,584	...	2,012
Other Cons. Fund	10,000	5,460	5,353	277	50
Supply Services	3586,286	2026,927	1932,111	46,862	68,069
Total	4259,286	2398,475	2294,873	62,633	71,398
Sinking Funds	...	19,012	19,405	520	440
"Above-line" Surplus or Deficit	-352,926	-319,968	-289,455	+8,351	+8,351
"Below-line" Net Expenditure	342,173	267,519	4,693	Cr. 197	Cr. 197
Total Surplus or Deficit	695,099	-587,487	-242,522	+8,548	+8,548
Net Receipts from:					
Tax Reserve Certificates	102,184	172,936	19,618	13,111	150
Savings Certificates	3,000	10,850	500	...	...
Defence Bonds	-36,510	-31,877	-228	-178	...

FLOATING DEBT

Date	Treasury Bills	Ways and Means Advances	Public Depts.	Bank of England	Total Floating Debt
1952					
Nov. 1	4,345.2	257.2	...	...	4,602.4
1953					
Aug. 1	3,250.0	1,424.3	227.0	2.8	4,904.0
" 8	3,290.0	1,389.0	208.1	...	4,887.1
" 15	3,310.0	1,414.8	225.4	...	4,950.2
" 22	3,350.0	1,422.7	241.8	...	4,994.5
" 29	3,350.0	1,407.6	229.3	...	4,987.0
Sept. 5	3,370.0	1,414.0	219.2	...	5,003.2
" 12	3,400.0	1,395.8	251.7	...	5,047.5
" 19	3,430.0	1,382.1	280.0	...	5,092.2
" 30	4,803.1	273.4	...	...	5,076.5
Oct. 10	4,525.8	245.9	...	...	4,771.7
" 17	4,552.2	262.2	...	...	4,814.3
" 24	4,550.4	264.1	...	...	4,814.5
" 31	4,538.1	254.9	1.3	...	4,794.3

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

THE MONEY MARKET

CREDIT conditions tightened considerably in Lombard Street in the week covered by Wednesday's Bank return, and the authorities made special purchases of bills on each day except Wednesday itself. Only small official purchases, made both directly from the market and indirectly through the banks, were needed on Thursday before the week-end; but on the next two days this special assistance was on a larger scale and all took the indirect route. The absence of maturities caused by the fall of August Bank Holiday three months earlier necessitated considerable purchases from the banks by the special buyer on Monday, and on Tuesday he was only slightly less active. But conditions eased notably on Wednesday, and there was even some reverse selling by the authorities.

At last week's tender for Treasury bills, the market maintained its bid at £99 9s. 6d. per cent for the £240 million of bills on offer; but as total applications rose by nearly £33 million, the average rate of discount fell to £2 1s. 11.37d. per cent and the proportion of the market's application to be allotted from 55 to 45 per cent. The offer at yesterday's tender was reduced to £220 million.

The Bank return shows a seasonal outflow of notes of £7.3 million; the autumn low point for the active circulation, at £1,531 million in the third week of October, was £88 million higher than a year ago. The security portfolio in the banking department increased by £12½ million last week as a result of the authorities' purchases; but public accounts rose by £11.1 million and bankers' deposits therefore fell by £6.3 million.

LONDON MONEY RATES

Bank rate (from 4%, 17/9/53)	%	Discount rates	%
Bank bills: 60 days	2½	Bank bills: 3 months	2½
Bank bills: 3 months	2½	Bank bills: 4 months	2½
Bank bills: 6 months	2½	Bank bills: 6 months	2½
Bank bills: 9 months	2½	Bank bills: 9 months	2½
Bank bills: 12 months	2½	Bank bills: 12 months	2½
Bank bills: 15 months	2½	Bank bills: 15 months	2½
Bank bills: 18 months	2½	Bank bills: 18 months	2½
Bank bills: 21 months	2½	Bank bills: 21 months	2½
Bank bills: 24 months	2½	Bank bills: 24 months	2½
Bank bills: 27 months	2½	Bank bills: 27 months	2½
Bank bills: 30 months	2½	Bank bills: 30 months	2½
Bank bills: 33 months	2½	Bank bills: 33 months	2½
Bank bills: 36 months	2½	Bank bills: 36 months	2½
Bank bills: 39 months	2½	Bank bills: 39 months	2½
Bank bills: 42 months	2½	Bank bills: 42 months	2½
Bank bills: 45 months	2½	Bank bills: 45 months	2½
Bank bills: 48 months	2½	Bank bills: 48 months	2½
Bank bills: 51 months	2½	Bank bills: 51 months	2½
Bank bills: 54 months	2½	Bank bills: 54 months	2½
Bank bills: 57 months	2½	Bank bills: 57 months	2½
Bank bills: 60 months	2½	Bank bills: 60 months	2½
Bank bills: 63 months	2½	Bank bills: 63 months	2½
Bank bills: 66 months	2½	Bank bills: 66 months	2½
Bank bills: 69 months	2½	Bank bills: 69 months	2½
Bank bills: 72 months	2½	Bank bills: 72 months	2½
Bank bills: 75 months	2½	Bank bills: 75 months	2½
Bank bills: 78 months	2½	Bank bills: 78 months	2½
Bank bills: 81 months	2½	Bank bills: 81 months	2½
Bank bills: 84 months	2½	Bank bills: 84 months	2½
Bank bills: 87 months	2½	Bank bills: 87 months	2½
Bank bills: 90 months	2½	Bank bills: 90 months	2½
Bank bills: 93 months	2½	Bank bills: 93 months	2½
Bank bills: 96 months	2½	Bank bills: 96 months	2½
Bank bills: 99 months	2½	Bank bills: 99 months	2½
Bank bills: 102 months	2½	Bank bills: 102 months	2½
Bank bills: 105 months	2½	Bank bills: 105 months	2½
Bank bills: 108 months	2½	Bank bills: 108 months	2½
Bank bills: 111 months	2½	Bank bills: 111 months	2½
Bank bills: 114 months	2½	Bank bills: 114 months	2½
Bank bills: 117 months	2½	Bank bills: 117 months	2½
Bank bills: 120 months	2½	Bank bills: 120 months	2½
Bank bills: 123 months	2½	Bank bills: 123 months	2½
Bank bills: 126 months	2½	Bank bills: 126 months	2½
Bank bills: 129 months	2½	Bank bills: 129 months	2½
Bank bills: 132 months	2½	Bank bills: 132 months	2½
Bank bills: 135 months	2½	Bank bills: 135 months	2½
Bank bills: 138 months	2½	Bank bills: 138 months	2½
Bank bills: 141 months	2½	Bank bills: 141 months	2½
Bank bills: 144 months	2½	Bank bills: 144 months	2½
Bank bills: 147 months	2½	Bank bills: 147 months	2½
Bank bills: 150 months	2½	Bank bills: 150 months	2½
Bank bills: 153 months	2½	Bank bills: 153 months	2½
Bank bills: 156 months	2½	Bank bills: 156 months	2½
Bank bills: 159 months	2½	Bank bills: 159 months	2½
Bank bills: 162 months	2½	Bank bills: 162 months	2½
Bank bills: 165 months	2½	Bank bills: 165 months	2½
Bank bills: 168 months	2½	Bank bills: 168 months	2½
Bank bills: 171 months	2½	Bank bills: 171 months	2½
Bank bills: 174 months	2½	Bank bills: 174 months	2½
Bank bills: 177 months	2½	Bank bills: 177 months	2½
Bank bills: 180 months	2½	Bank bills: 180 months	2½
Bank bills: 183 months	2½	Bank bills: 183 months	2½
Bank bills: 186 months	2½	Bank bills: 186 months	2½
Bank bills: 189 months	2½	Bank bills: 189 months	2½
Bank bills: 192 months	2½	Bank bills: 192 months	2½
Bank bills: 195 months	2½	Bank bills: 195 months	2½
Bank bills: 198 months	2½	Bank bills: 198 months	2½
Bank bills: 201 months	2½	Bank bills: 201 months	2½
Bank bills: 204 months	2½	Bank bills: 204 months	2½
Bank bills: 207 months	2½	Bank bills: 207 months	2½
Bank bills: 210 months	2½	Bank bills: 210 months	2½
Bank bills: 213 months	2½	Bank bills: 213 months	2½
Bank bills: 216 months	2½	Bank bills: 216 months	2½
Bank bills: 219 months	2½	Bank bills: 219 months	2½
Bank bills: 222 months	2½	Bank bills: 222 months	2½
Bank bills: 225 months	2½	Bank bills: 225 months	2½
Bank bills: 228 months	2½	Bank bills: 228 months	2½
Bank bills: 231 months	2½	Bank bills: 231 months	2½
Bank bills: 234 months	2½	Bank bills: 234 months	2½
Bank bills: 237 months	2½	Bank bills: 237 months	2½
Bank bills: 240 months	2½	Bank bills: 240 months	2½
Bank bills: 243 months	2½	Bank bills: 243 months	2½
Bank bills: 246 months	2½	Bank bills: 246 months	2½
Bank bills: 249 months	2½	Bank bills: 249 months	2½
Bank bills: 252 months	2½	Bank bills: 252 months	2½
Bank bills: 255 months	2½	Bank bills: 255 months	2½
Bank bills: 258 months	2½	Bank bills: 258 months	2½
Bank bills: 261 months	2½	Bank bills: 261 months	2½
Bank bills: 264 months	2½	Bank bills: 264 months	2½
Bank bills: 267 months	2½	Bank bills: 267 months	2½
Bank bills: 270 months	2½	Bank bills: 270 months	2½
Bank bills: 273 months	2½	Bank bills: 273 months	2½
Bank bills: 276 months	2½	Bank bills: 276 months	2½
Bank bills: 279 months	2½	Bank bills: 279 months	2½
Bank bills: 282 months	2½	Bank bills: 282 months	2½
Bank bills: 285 months	2½	Bank bills: 285 months	2½
Bank bills: 288 months	2½	Bank bills: 288 months	2½
Bank bills: 291 months	2½	Bank bills: 291 months	2½
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Bank bills: 300 months	2½	Bank bills: 300 months	2½
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Bank bills: 306 months	2½	Bank bills: 306 months	2½
Bank bills: 309 months	2½	Bank bills: 309 months	2½
Bank bills: 312 months	2½	Bank bills: 312 months	2½
Bank bills: 315 months	2½	Bank bills: 315 months	2½
Bank bills: 318 months	2½	Bank bills: 318 months	2½
Bank bills: 321 months	2½	Bank bills: 321 months	2½
Bank bills: 324 months	2½	Bank bills: 324 months	2½
Bank bills: 327 months	2½	Bank bills: 327 months	2½
Bank bills: 330 months	2½	Bank bills: 330 months	2½
Bank bills: 333 months	2½	Bank bills: 333 months	2½
Bank bills: 336 months	2½	Bank bills: 336 months	2½
Bank bills: 339 months	2½	Bank bills: 339 months	2½
Bank bills: 342 months	2½	Bank bills: 342 months	2½
Bank bills: 345 months	2½	Bank bills: 345 months	2½
Bank bills: 348 months	2½	Bank bills: 348 months	2½
Bank bills: 351 months	2½	Bank bills: 351 months	2½
Bank bills: 354 months	2½	Bank bills: 354 months	2½
Bank bills: 357 months	2½	Bank bills: 357 months	2½
Bank bills: 360 months	2½	Bank bills: 360 months	2½
Bank bills: 363 months	2½	Bank bills: 363 months	2½
Bank bills: 366 months	2½	Bank bills: 366 months	2½
Bank bills: 369 months	2½	Bank bills: 369 months	2½
Bank bills: 372 months	2½	Bank bills: 372 months	2½
Bank bills: 375 months	2½	Bank bills: 375 months	2½
Bank bills: 378 months	2½	Bank bills: 378 months	2½
Bank bills: 381 months	2½	Bank bills: 381 months	2½
Bank bills: 384 months	2½	Bank bills: 384 months	2½
Bank bills: 387 months	2½	Bank bills: 387 months	2½
Bank bills: 390 months	2½	Bank bills: 390 months	2½
Bank bills: 393 months	2½	Bank bills: 393 months	2½
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Bank bills: 411 months	2½	Bank bills: 411 months	2½
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Bank bills: 417 months	2½	Bank bills: 417 months	2½
Bank bills: 420 months	2½	Bank bills: 420 months	2½
Bank bills: 423 months	2½	Bank bills: 423 months	2½
Bank bills: 426 months	2½	Bank bills: 426 months	2½
Bank bills: 429 months	2½	Bank bills: 429 months	2½
Bank bills: 432 months	2½	Bank bills: 432 months	2½
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Bank bills: 450 months	2½	Bank bills: 450 months	2½
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Bank bills: 471 months	2½	Bank bills: 471 months	2½
Bank bills: 474 months	2½	Bank bills: 474 months	2½
Bank bills: 477 months	2½	Bank bills: 477 months	2½
Bank bills: 480 months	2½	Bank bills: 480 months	2½
Bank bills: 483 months	2½	Bank bills: 483 months	2½
Bank bills: 486 months	2½	Bank bills: 486 months	2½
Bank bills: 489 months	2½	Bank bills: 489 months	2½
Bank bills: 492 months	2½	Bank bills: 492 months	2½
Bank bills: 495 months	2½	Bank bills: 495 months	2½
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Bank bills: 501 months	2½	Bank bills: 501 months	2½
Bank bills: 504 months	2½	Bank bills: 504 months	2½
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Bank bills: 510 months	2½	Bank bills: 510 months	2½
Bank bills: 513 months	2½	Bank bills: 513 months	2½
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Bank bills: 768 months	2½	Bank bills: 768 months	2½
Bank bills: 771 months	2½	Bank bills: 771 months	2½
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Bank bills: 777 months	2½	Bank bills: 777 months	2½
Bank bills: 780 months	2½	Bank bills: 780 months	2½
Bank bills: 783 months	2½	Bank bills: 783 months	2½
Bank bills: 786 months	2½	Bank bills: 786 months	2½
Bank bills: 789 months	2½	Bank bills: 789 months	2½
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Bank bills: 795 months	2½	Bank bills: 795 months	2½
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Bank bills: 825 months	2½	Bank bills: 825 months	2½
Bank bills: 828 months	2½	Bank bills: 828 months	2½
Bank bills: 831 months	2½	Bank bills: 831 months	2½
Bank bills: 834 months	2½	Bank bills: 834 months	2½
Bank bills: 837 months	2½	Bank bills: 837 months	2½
Bank bills: 840 months	2½	Bank bills: 840 months	2½
Bank bills: 843 months	2½	Bank bills: 843 months	2½
Bank bills:			



HOME SERVICE INSURANCE pays £200,000 daily in death and endowment benefits

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Industrial Life Offices

THE LONDON OMNIBUS

A vehicle of information



During the 1880's this horse-drawn Omnibus could be seen transporting the public between Hammersmith and Charing Cross.

Many years even before that, another London Omnibus was started by The London Assurance, an "omnibus" collection of all kinds of insurance policies for all kinds of people. Here are a few of them.

LIFE AND LIMB

Both may be insured by our Personal Accidents Policy. The less hazardous your occupation, the less you pay for this policy's varied and valuable benefits.

GLASS BREAKS

We have been aware of this for some time—notably since we instituted our Plate Glass Policy, the popularity of which leads us to suspect that others are also aware of it.

THREE-SCORE YEARS AND—WHAT?

In life's later years much comfort may be found in an Annuity. To those interested, we are happy to say that our Annuity Rates now are better than ever.

P.S.

If you would know more about any of the policies outlined here, if we can provide information about any other policies or about insurance problems generally—pray make what use of us you wish. Our address is 1, King William Street, Department U.6 London, E.C.4.

THE LONDON ASSURANCE

"Very good people to deal with"

Incorporated by Royal Charter
A.D. 1720



Responsible advice ON INVESTMENT

AS AN EXECUTOR

AS A TRUSTEE

AS A SOLICITOR

AS AN ACCOUNTANT

Professional men, business men, even private individuals are often asked for advice on the safe investment of substantial sums of money, whether arising from a will, a maturing policy, the sale of property or other sources.

The investments offered by the Co-operative Permanent provide an ideal answer to such problems. Money so invested enjoys the security assured by a large financial institution with interests throughout the country. Moreover, capital is free from fluctuation. Interest at 2½% is paid with unfailing regularity and income tax is paid by the Society making the return equivalent to more than 4½% where there is liability to income tax at 9/- in the £. Invested money is always at call on short notice and can be realised without loss or expense.

Full details of the complete financial service made available by the Society will be forwarded on request.

*Everything points to the
advantages of investment
in the—*

CO-OPERATIVE PERMANENT BUILDING SOCIETY

NEW OXFORD HOUSE · LONDON · W.C.1
Tel. HOLborn 2302

City Office: 163 MOORGATE · E.C.2
Tel. MONarch 3556

FUNDS £80,000,000

RESERVES EXCEED £3,000,000



ALLIANCE ASSURANCE COMPANY LIMITED

Head Office:

BARTHOLOMEW LANE, LONDON, E.C.2

Established 1824

The Finest Service

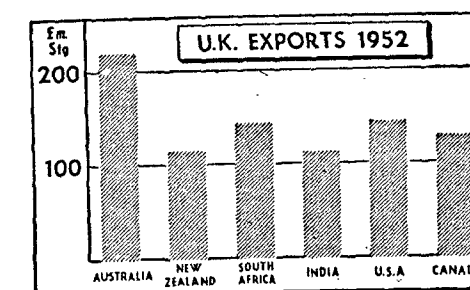
for

All Classes of Insurance

REPRESENTATION THROUGHOUT
THE UNITED KINGDOM
THE BRITISH COMMONWEALTH AND
ELSEWHERE ABROAD

*The Company undertakes the duties of
Executor and Trustee*

Biggest Customer



For trade with Australia and New Zealand, consult and use the Bank of New South Wales—the largest and most experienced commercial bank in Australasia.

BANK OF NEW SOUTH WALES

LONDON OFFICE—29 Threadneedle Street—D. J. M. Frazer, Manager

(INCORPORATED IN NEW SOUTH WALES WITH LIMITED LIABILITY)

SAFETY-FIRST INVESTMENT

2½% per annum

Income Tax paid by the Society

**Equal to £4.10.10 per cent to investors
subject to income tax at the standard rate**

The current rate of interest on share accounts is 2½%, and on ordinary deposit accounts 2%, with income tax paid by the Society in each case. Sums up to a total holding of £5,000 are accepted for investment in Abbey National. For further particulars apply for a copy of the Society's Investment Booklet.

Total Assets £153,974,000

**ABBAY NATIONAL
BUILDING SOCIETY**

HEAD OFFICE: ABBAY HOUSE, BAKER STREET, LONDON, N.W.1
For address of Local Office see Telephone Directory



*for sterling quality
—Scottish Widows'
of course.*



THE HALL MARK OF
STERLING QUALITY IN
MUTUAL LIFE ASSURANCE

**SCOTTISH WIDOWS'
FUND**

Head Office:
9 St. Andrew Square, Edinburgh, 1
London Offices:
28 Cornhill, E.C.3 17 Waterloo Place, S.W.1

Successful Enterprise

From the early days Canada's oldest bank has played a prominent part in developing the country's vast natural wealth. With branches from coast to coast and first-hand knowledge the Bank can provide reliable information, general, commercial or local.



through the
BANK OF MONTREAL

47 Threadneedle Street,
London, E.C.2

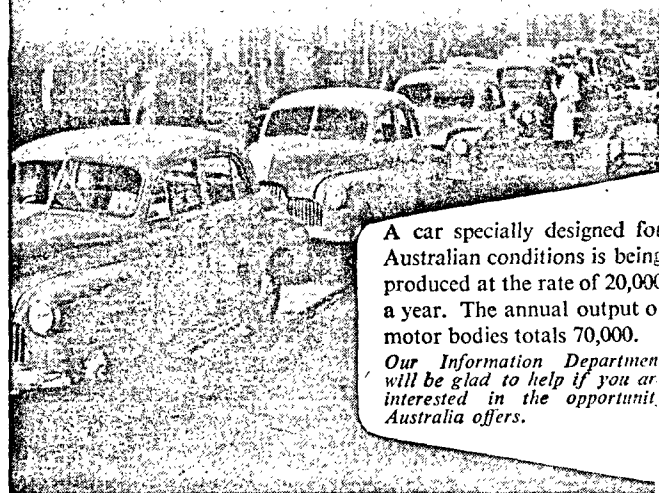
Head Office: MONTREAL

Over 580 Branches throughout Canada

Assets Exceed \$2,000,000,000

(Incorporated in Canada in 1817 with Limited Liability)

Another phase of AUSTRALIAN DEVELOPMENT



A car specially designed for Australian conditions is being produced at the rate of 20,000 a year. The annual output of motor bodies totals 70,000. Our Information Department will be glad to help if you are interested in the opportunity Australia offers.

**The NATIONAL BANK
OF AUSTRALASIA Limited**

(Incorporated in Victoria)

London Office: 7 Lothbury, E.C.2

Other London Offices: Australia House, Strand, W.C.2 and
11a Albemarle St., W.1

685 Offices in Australia

Assets £229 Million

COMPANY MEETINGS

FERRANTI, LIMITED

CONTINUED EXPANSION

The forty-eighth annual general meeting of Ferranti, Limited, was held on November 5th at Kern House, Kingsway, London, W.C.2, Sir Vincent de Ferranti, MC, MIEE (chairman and managing director), presiding.

The following are extracts from his statement, circulated with the report and accounts for the year to June 30, 1953:

The accounts show continued expansion in the activities of the company and its subsidiaries and further extension of our manufacturing capacity.

Net current assets amount to £1,973,724. The increase in debtors of £545,107 is the result of the increased turnover. Stocks at £4,190,175 compare with £4,223,102 a year ago, and creditors are down by £93,725. Provision for taxation, including future taxation, amounts to £1,747,898 this year, as compared with £1,581,094 at June 30, 1952. Bank overdrafts have increased by £743,229.

On the other side of the balance sheet the excess profits tax postwar refund suspense account has been reduced by £200,000, which, with £800,000 drawn from general reserve account, has been capitalised in the form of £500,000 of 5½ per cent Third Preference stock and £500,000 of additional Ordinary stock, so that the issued capital now stands at £2,500,000. The balance of £19,235 on the excess profits tax postwar refund suspense account has been transferred to general reserve account.

PROFIT AND LOSS ACCOUNT

The consolidated profit for the year, including dividends on investments, amounts to £1,284,033, as compared with £1,320,164 for the year ended June 30, 1952. After provision for tax (including £150,000 for excess profits levy) on all profits earned to date, the net profit is £436,248, against £529,208 a year ago. During the year we received a dividend of \$50,000 from our Canadian subsidiary company, of which £11,002, the net proceeds, after tax, have been carried to our appropriation account.

We have transferred £300,000 to general reserve account and a dividend on the Ordinary stock of 6 per cent is recommended.

The output of the group, which is employing over 10,000 people, is 26 per cent above that of last year. The input and output have been in balance, leaving an unchanged value of unexecuted orders of £16 million. Armament output has increased by 40 per cent, compared with an increase of 10 per cent in civil work, the latter being adversely affected by the reduced demand for meters, particularly from abroad.

The Canadian company, while maintaining its turnover, has, in the latter part of the year, experienced some difficulty in obtaining satisfactory prices for some of its principal products, resulting in a moderate reduction in profits, which, after payment of a dividend amounting to \$50,000, have been retained in its own funds. A building has been completed for the manufacture of apparatus for the Royal Canadian Air Force, and the first instruments have been made and delivered. The American company has made a loss which it has carried forward.

POWER TRANSFORMERS

We have continued to expand our output of power transformers, and this was 25 per cent higher by value than the corresponding figure for 1951-52. Among the orders received is another important one from the dollar market, for six 230-kv transformers for the McNary dam, in the USA. The extensions authorised to the buildings of the Avenue works at Hollinwood are now finished, and we are deriving the benefit from the consequent redistribution of manufacturing facilities.

Important deliveries made recently include two 100-MVA transformers for the British Electricity Authority at Leeds, two further 230-kv units in addition to those already supplied to Finland, one unit for 301 kv and two for 275 kv for the Aluminum Company of Canada. We have also delivered three large impulse generators, and the manufacture of a 1 million volt DC cable-testing equipment for Norway is now complete.

IMPROVED DEMAND FOR METERS

The fall in sales input of electricity meters towards the latter end of the last financial year has been reflected in a considerable drop in output for the current year. The demand for meters remained depressed during the year, both from home and export markets. Since the end of the financial year there has been an improvement in both these markets. Measures continue to be taken for lowering production costs by the provision of special-purpose machinery.

The current year has seen a fall in the output of our foundry. This reflects the position elsewhere in the industry where the market has become more competitive. Floor space has been added to our Moston factory for the manufacture of electrical gyroscopes and fire control equipment for the Ministry of Supply and the Admiralty, and we have participated in offshore procurement orders for Nato.

The demand for indicating instruments and allied equipment is well maintained and shows a slight increase. Work continues on our electronic digital computers, and we have received another important order, this time from the Royal Dutch Shell Group, for a computer for their Amsterdam laboratories.

TELEVISION SETS

There has been a considerable increase in our sales of television sets, which are competitive both in design and price. The output of cathode ray tubes and valves showed an increase over the previous year and our development over a wide field of vacuum devices is expanding at a considerable rate.

The removal of the ban imposed on the British Electricity Authority prohibiting promotional publicity on the use of electricity in the home should improve the demand for electric fires and water heaters. Satisfactory progress continues to be made on the important work of development of guided weapons.

The output of our Edinburgh factory has increased appreciably during the past year. In order that production can be stepped up further, however, we have taken over a factory at Dundee, and this will be in operation by the end of 1953.

The report and accounts were adopted.

AMALGAMATED ANTHRACITE COLLIERIES, LIMITED

QUESTION OF REORGANISATION

The twenty-ninth annual general meeting of this company was held on October 29th in London, Mr John Waddell, the chairman, presiding.

The following is an extract from his circulated statement for the year ended December 31, 1952:

Within the last month or so we have practically reached agreement with the Coal Board on all outstanding values and the final position is likely to be a more or less permanent balance due by the parent company to the British Anthracite Company, Limited, of some £500,000 to £600,000.

Our operating subsidiary, the British Anthracite Company, Limited, has again had, considering all the difficulties, a very successful year. The trading profit comes out at some £563,000 compared with £602,000.

FUTURE DIVIDENDS

We have, as I see it, three courses open to us as regards dividends, but they depend on the attitude of both classes of stockholders. These three courses are as follows:

We can leave the capital deficit standing in the balance sheet *ad infinitum* and distribute whatever profits are available. This means the preference stockholders have an annual non-cumulative participation of a further 4 per cent on their capital, at which stage the ordinary stockholders receive 1½ per cent on their capital.

The second alternative is the direct opposite of this, whereby the equity stockholders might feel that their proportion of any such distribution would be so small that it would be better to have nothing distributed but to use all available profits ploughed back to make good their capital deficit.

There is some justification for such a policy because it would conserve entirely for the benefit of the ordinary stockholders what would have been paid out in participation to the preference stockholders together with the distributed profits tax relating thereto, as well as any ordinary dividends contemplated.

POSSIBLE COMPROMISE

The third alternative is a compromise whereby the capital might be brought more in line with the value of the assets, which would be a good feature, and where, by a rearrangement of the rights between the participating stock and the equity stock, it might enable both parties to receive some extra dividend at an early date. Thus, the preference stockholders would actually collect some of their participation which otherwise might be blocked, and the ordinary stockholders might collect in cash some of the profits which otherwise they would have to plough back into the business for an indefinite period.

I hope the foregoing has clearly set out the issue between the preference and equity stockholders, and in view of the possible conflict of interests I would say that your board feel that a reorganisation scheme under the third alternative above is the most desirable course to follow.

If it appears to be the general wish of our members that such a reorganisation scheme should be considered your board will undertake to place one before the members within three months.

At the meeting, in response to an enquiry from the chairman, stockholders unanimously voted in favour of the suggestion to reorganise the capital of the company.

The report was adopted.

NEEPSEND STEEL & TOOL CORPORATION LIMITED

SIR STUART C. GOODWIN'S
STATEMENT

The thirty-third annual general meeting of this company was held on November 3rd at Sheffield, Sir Stuart C. Goodwin, JP, chairman, presiding.

The following is an extract from his circulated statement:

The parent company's reserves and surplus are now £392,190, as compared with £336,226 last year. Current assets total £1,638,457, against current liabilities and provisions £1,326,453, giving an excess of current assets of over £312,000, which places the company in a satisfactory position.

The consolidated reserves and surplus amount in total to £2,524,640, in comparison with last year's figure of £2,187,881, which is an increase of over £330,000. Current assets of the whole group amount to £2,871,117, against current liabilities and provisions of £576,331, showing an assets excess of £2,294,786. The Neepsend group of companies is in a very sound financial position.

The trading profits for the year before taxation have amounted to £920,266, as against a figure of £1,135,250 in the previous year. After providing for transfer to general reserve and for proposed dividends and bonus, the carry forward is £1,238,699, against £1,014,979 brought forward.

The dividend and bonus declared on the ordinary stock of the company represents a distribution of just over 4 per cent, free of tax, on the capital employed in the Neepsend group of companies.

The report was adopted.

CRYSTALATE LIMITED

MR J. LESSER'S SPEECH

The annual general meeting of Crystalate Limited was held on October 27th in London.

Mr J. Lesser (chairman and managing director), in the course of his speech, said: For the eighteen months to March 31, 1953, the accounts of Crystalate Limited show a profit, before taxation, of £38,930, as compared with £29,828. After all taxation has been provided for, the result is a profit of £16,104, as compared with £13,750.

The consolidated accounts show a profit, before taxation, of £119,144, of which taxation absorbs £62,362, leaving £56,782 net. The previous accounts showed a profit of £70,208 before taxation and after taxation a profit of £40,161. The financial position of the group continues to be strong.

As I told you at our last annual general meeting, the compression moulding sections of the industry were experiencing a recession in trade. This recession affected both Ebonestos Industries Limited and Crystalate Limited. These conditions have persisted into the current year. However, within the last month or so there have been some signs of a revival of demand, which we all hope will persist. Mica Products Limited maintained its progress and this improvement has continued. This, coupled with the orders on hand, would permit our looking forward to a reasonably good result in this section of your company's enterprises. The British Homophone Company, Limited, to date is maintaining its trading profit.

A general summing up of trading for the current year to date would be that the group as a whole is, at the present moment, working on the profitable side. The report was adopted.

ANGLO-CEYLON & GENERAL ESTATES COMPANY, LIMITED

LARGER PROFIT

The sixty-seventh annual general meeting of this company was held on November 4th, in London, Mr Francis W. Douse, chairman and managing director, presiding.

The following are extracts from his circulated statement:

In my statement last year, I reported the sale of Holmwood Estate. In consequence, it was only to be expected that the crop of tea in Ceylon for the past season would be less than for the previous year. This was estimated at 5,339,000 lb, but unfortunately adverse climatic conditions were largely the cause of only 5,210,617 lb being harvested—an average yield of 661 lb per acre, as compared with 700 lb per acre in 1951-52, and 651 lb per acre in 1950-51.

The average price realised was 35.28d. per lb, as against 33.30d. per lb last year. De-rating of tea came into force in October, 1952, and, as I predicted, resulted in slightly improved prices for quality teas. The cost of production was kept down to approximately the same as last year by stringent economies in various directions.

During the past year, the Government has tightened up the regulations regarding recruitment of personnel from overseas, with a view to speeding up the process of Ceylonisation. This has been very noticeable in regard to recruits for the planting community, and has led to some considerable concern as to the future prospects of the existing non-Ceylonese personnel serving on estates, who feel that should the process be further intensified, prospects for planters, other than probably for senior men, will be uncertain.

Despite the present regulations, I cannot think that the Government will adopt any extreme measures to reduce non-Ceylonese personnel until such time as the country has sufficient properly trained young Ceylonese who wish to take up planting as a career, so important is the prosperity of the tea industry to Ceylon.

MAURITIUS SUGAR CROP

It had been expected that for 1952-53 the Island would harvest another record crop of sugar, but in fact the total tonnage was less than for the previous year, being 468,000 tons as against 483,000 tons. This was due to the sucrose content of the canes being generally lower owing to weather conditions. This company's crop, however, including that of Mon Tresor and Mon Desert Limited, was slightly higher at 55,650 tons compared with 55,100 tons. The net price realised was approximately £32 15s. per ton against £30 10s. last year, but again most of the increase was absorbed by higher wages and enhanced cost of supplies.

The profit and loss account shows that the trading profit of the company and its subsidiaries amounted to £876,539 as compared with £840,539 for the year ended March 31, 1952. The trading profit for the year is satisfactory and although below that of the all-time record of 1951 is in excess of the previous record in 1950. The directors now have pleasure in recommending that a final dividend of 20 per cent be paid, making 30 per cent for the year on £1 million of ordinary stock capital.

After making allowance for amounts payable in dividends and crediting the balance brought forward from the previous year of £123,422, there remains £142,170 at credit of profit and loss account.

The report was adopted.

NAHUMS HOLDINGS LIMITED

INCREASED LEVEL OF ACTIVITY

The fourth annual general meeting of Nahums Holdings Limited will be held on November 26th in Manchester.

The following is an extract from the statement by the chairman and managing director, Mr Daniel R. Nahum, which will be presented to the shareholders of the meeting.

I have pleasure in informing you that your group's trading loss of £16,063 for the year ended June 30, 1952, has this year been converted into a profit of £45,873. The net profit after taxation, appropriate to Nahums Holdings Limited, amounted to £30,724, the comparative loss for 1951/52 being £77,366. Group revenue reserves have been strengthened to the extent of an additional £22,580 this year. With a view to conserving the Group's resources the directors have decided, despite the relatively favourable results, not to recommend the payment of an ordinary dividend for the year ended June 30, 1953.

The past year, following immediately on successive periods of boom and slump, was one of readjustment in the textile industry. The process of liquidation of stocks, accumulated by the trade during the recession, resulted in a gradual return to a more normal level of demand. Simultaneously, an increased measure of confidence was restored. Our own experience followed this trend, and during the closing months of our year both the volume of sales and the level of activity in our mills increased considerably.

Furthermore, I am happy to state that both the volume and value of the Group's turnover for the first four months of the current financial year are in excess of last year's comparative figures. The current sales order book position is also substantially stronger than it was at this time last year.

SUCCESS OF NEW RANGES

I indicated to you in my last report that our cloth departments would concentrate on producing new lines, which would be original, attractive and of excellent value. Our new ranges have, in fact, been very well received by our customers both at home and overseas, and the trade continues to show much interest in our current productions. Yarn sales in the home trade and abroad are encouraging and appear likely to achieve the targets that we have set for the current year.

Despite the indications of improvement in our business and in the trade in general, I do not wish to be over sanguine, and would strike a note of warning because of the intrinsic hazards of the textile business as a whole. For example, the return to seasonal buying does, of course, extend our resources fully at certain periods of the year. In addition, delivery dates quoted by suppliers and processing times have also been lengthened, with a consequent increase in the element of risk involved, accompanied by a decrease in the rate of turnaround of capital employed. Margins also tend to diminish as a result of increasing competition. Moreover, one should not overlook the difficulty of estimating the stability of purchasing power at home, together with the well-known problems of the export trade and the contraction of overseas markets.

However, your company is taking advantage of the improved conditions in the trade and a more satisfactory result for the current financial year can be hoped for, provided that there is no serious set-back or further recession in the industry.

ANGLO-ECUADORIAN OILFIELDS, LIMITED

RECORD OIL PRODUCTION

The thirty-fifth annual general meeting of the Anglo-Ecuadorian Oilfields, Limited, was held on November 3rd in London, the Rt Hon Lord Forbes, chairman of the company, presiding.

The following is an extract from his statement circulated with the report and accounts for the year to March 31, 1953:

Crude oil production for the year was 298,476 tons, compared with 269,130 tons for the previous year, being an increase of 29,346 tons. This establishes a record for the field. The previous highest production was 281,663 tons in the year 1939-40.

The improvement in production was entirely due to oil from shallow wells; in fact, deep production showed a decline of 7,539 tons compared with the previous year. The footage drilled continued to show improvement, the total for the year amounting to 159,851 ft, compared with 147,810 ft last year.

Efforts to find a new deep oil pool continued to meet with no success.

REFINING AND MARKETING

Your refinery has been operating for over two years at its full capacity of just over 200,000 tons per annum. Owing to the rapid and continued expansion of the Ecuadorian market in refined petroleum products, we are unable to produce the full gasoline requirements of the Republic, and in order to prevent a shortage of supplies we imported the necessary quantity of gasoline to make up the deficit. This operation, because of the low level of Government-controlled prices for refined products, was effected at considerable financial loss to your company. Your board is giving serious consideration to this matter of refined products in view of the continuing increase in demand throughout the whole country; this is well illustrated by the following figures:

	1950-51	1951-52	1952-53
Gallons			
Gasoline	25,719,438	26,059,604	32,571,567
Kerosene	4,647,118	5,128,843	5,346,224
Diesel oil	9,245,831	9,955,329	11,732,180
Residue	20,859,179	24,783,269	21,387,216

In 1952-53 residue production failed to meet requirements and the three largest consumers, the railway, the cement company and the electric light company, were forced to import between them 2,126,673 gallons.

The Government of Ecuador has not authorised any increases in the sales prices of refined products since 1948, despite the fact that there has been a continuous increase since that year in both materials and labour costs. Your board hopes that the Government of Ecuador will soon take steps to rectify this anomalous state of affairs, cognising that it is not only in the best interests of your company but also of the nation, that Ecuador should have a flourishing petroleum industry.

CANADA

As we announced in the press on February 20, 1953, your company has, in partnership with other British oil companies, made a small investment of £16,369 in the Province of Alberta, Canada.

In the profit and loss account due provision has been made for income tax and excess profits levy. The resultant net profit for the year amounts to £188,846, and adding to this figure the sum of £145,489 brought forward from the previous year, a total of £334,335 remains to be allocated. Your board

recommend that this amount be dealt with by the payment of a dividend at the rate of 10 per cent (less income tax), the allocation of £104,377 to general reserve, £5,945 to investment reserve and carrying forward the sum of £141,513.

The report and accounts were adopted.

HOSCOTE RUBBER ESTATES, LIMITED

MR H. B. EGMONT HAKE'S
STATEMENT

The twenty-first annual general meeting of Hoscote Rubber Estates, Limited, will be held on November 25th in London.

The following are extracts from the address of the chairman, Mr H. B. Egmont Hake, circulated with the report and accounts:

Our trading profit before taxation was £60,864, against £83,392 for the previous year. After taxation the figures are £35,277 for the year under review against £38,996 previously. To this year's profit, however, has been added on account of war damage grants a further sum amounting, after provision for taxation thereon, to £11,115. You will note that we have appropriated £10,249 to development reserve, bringing that reserve up to £75,000, and £21,566 to the reserve for replacement of planted areas, which after covering the actual cost of replanting during the year (£11,566) increases that reserve to £50,000. If our recommendation for a 12½ per cent dividend is approved, the carry forward will be £18,328, which shows an increase of £2,546 over the amount brought in.

If you will turn to the balance sheet you will see that a sum equivalent to the company's issued capital, £175,000, together with the development reserve, £75,000, has been invested in the fixed assets, all but £5,000 still unspent. This means that the reserve for replacement of planted areas, £50,000, and the general reserve, £30,000, are represented by the surplus of current assets over the combined total of current liabilities and estimated future taxation; this surplus amounts to £103,326, which equals approximately £20 per planted acre, and is considered adequate, for the time being, for the purpose of working capital and bringing our immature areas into bearing.

The proportion which our immature areas bear to the total planted acreage is 10.3 per cent, which is on the low side and indicates that replanting/new planting should be accelerated in the interests of our future earning power. It is low because it has been the board's policy, while considerably strengthening the replacement reserve out of the profits while prices were high, to go slow with actual replanting/new planting during that period, while wages were high. With the more recent fall in costs it will be the board's policy to improve the ratio to which I have referred.

The crop was practically the same as for the previous year, and it still remains, as I have said on previous occasions, below what we expect to get when the districts in which our estates lie return to normal. The general improvement in Malaya cannot yet be said to have lessened appreciably the fear of terrorism among our labourers, but recently the military and police have made a determined attempt at last to clean up hostile elements around our Pertang properties, and it is our hope that an improvement will become apparent from now on.

I mentioned to you last year that the drive for cheaper production was under way, and in fact our estate cost of production, including special grades manufactured, shows a

decline of 2d. per pound, and the all-in cost (including a fall of 1½d. in export duty, which fell with the price) was reduced by 5d. per pound, which accounts for the not unsatisfactory level of profit in a year in which the sale price of our product fell by 8½d. per pound.

PURNELL & SONS LIMITED (Printers and Bookbinders)

The nineteenth ordinary general meeting of Purnell & Sons Limited was held on October 30th at the Charing Cross Hotel, Strand, London, W.C.2, Mr W. Harvey (chairman and managing director) presiding.

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

The following is the address by the chairman which had been circulated with the report and accounts:

I have pleasure in submitting to you the accounts of your company for the year to December 31, 1952. The delay in presenting the accounts has arisen from two factors: the time taken to obtain the consignment balances from our overseas agents, and the desire of your directors to be satisfied that the taxation reserve was adequate. In regard to the reserve for taxation we have not yet arrived at the final settlement with the Revenue, but for those years in which agreement has been reached the reserve has been more than adequate.

You will remember that at the last annual general meeting I pointed out that there had been a recession in some branches of the printing trade during the first six months, but at the same time I indicated that the conditions had improved, and this continued to be so to the end of the year.

TRADING RESULTS

The profit of the group for the year before providing for taxation shows a decrease of £83,077, the comparative figures being:

1952	£358,861
1951	£441,938

The net profit, however, shows an increase of £15,073 due to the lower rate of taxation.

You will notice from the balance sheet that during the year we have added to our fixed assets after depreciation a sum of approximately £90,000.

Your directors deemed it advisable to construct a new factory and install the latest plant in order to widen the fields of our activities by entering the packaging business. The new factory is now nearly complete and most of the plant installed and we have every reason to believe that in future years this will add to the profit of the company.

In regard to the trading of the past nine months I am pleased to report that all branches of the group have been working to capacity and that the profits are slightly larger than those of the first nine months of 1952, and if no unforeseen circumstances arise between now and the end of the year I anticipate that the year's trading will be satisfactory.

I wish to pay a tribute to my colleagues on the board, all of whom give their full time to the company, and to express my thanks to the staff and workpeople for their services during the year under review.

The report and accounts were adopted and the final dividend of 25 per cent, less tax, making 40 per cent, less tax, for the year, was approved.

The retiring director, Mr S. V. Wilshire, was re-elected and the other formal business having been duly transacted, the proceedings terminated.

WILLIAM DOXFORD AND SONS, LIMITED

INCREASED TRADING PROFIT

DR E. P. ANDREA'S SPEECH

The sixty-first annual general meeting of William Doxford and Sons, Limited, was held on October 30th, in London.

Dr E. P. Andreae (the chairman), in the course of his speech, said:

The trading profit at £777,339 compares with £601,744 for the previous year. After charging £450,000 for taxation on the profits of the year, and crediting £27,000 income tax over-provided in previous years, the net profit amounts to £354,339, compared with £253,744—an increase of approximately £100,000.

We are again recommending the capitalisation of £50,000 of undivided profits.

Those of you who have been following the fortunes of this company will have long since realised that the issued capital bore little relation to the capital employed in the business. Only five years ago the issued ordinary capital was £500,000 out of an authorised ordinary capital of £750,000. Your directors then decided on a policy of capitalising the sum of £50,000 each year, by the issue of 50,000 fully paid ordinary shares. Whilst in some measure these capitalisations have reduced the disparity between the issued share capital and capital actually employed, they have not fully dealt with the problem. If at this meeting you approve of the capitalisation of £50,000 of undivided profits in respect of the year under review, the issued ordinary capital of the company will amount to £750,000. Your directors are proposing to double this capital in one operation by a further issue early next year of 750,000 shares in the proportion of one for one. For convenience, it will also be proposed that all the ordinary shares shall be converted into stock.

In accordance with the resolution set out in full in the notice convening this meeting, you will be asked to agree that the authorised share capital be increased by the creation of a further 1,250,000 ordinary shares of £1 each.

This, of course, is a preliminary step necessary to the actual issue of 750,000 new shares just mentioned, which will be the subject of an extraordinary general meeting to be convened for January 18th next year. You will note that following the proposed increase in the authorised ordinary share capital, there will remain unissued £500,000 nominal capital after the one for one issue has been approved and made.

I must emphasise that when the necessary resolutions giving effect to our proposals are passed, no further issues of shares, either for cash or by way of capitalisation, are at present contemplated, neither am I indicating any increase in the total amount of dividend distribution following the increase in the issued capital, other than that attributable to the one for fourteen share issue now before you.

WORKS FULLY OCCUPIED

During the year our works were again fully occupied, although the output was limited by the restricted availability of steel. Whilst the steel position has slightly improved recently, we are, in fact, still receiving much less steel than we need to take full and proper advantage of our new installations. I see little likelihood of any material increase in the amount of steel available for shipbuilding for some considerable time to come.

The number of ships which have been

built powered by Doxford engines now approaches 850 and, as there are well over 250 engines still building or on order, the day is not far off when the 1,000th Doxford engined ship will be in commission.

As is generally known, the inquiry for new ships is now very limited and, whilst this may be due in some degree to the long deliveries quoted, there is no doubt that the ever-increasing cost of new ships has reached a point where it has become almost impossible for shipowners to reconcile these high initial costs with the great drop in freights. Whilst, therefore, your company still has about three years' work on its books, the outlook beyond that is impossible to foresee. There are bound to be periodical setbacks in any industry, but our faith in the ultimate prospects of your company is evidenced by our determination to carry on with the major developments already planned.

INDUSTRIAL FINANCE AND INVESTMENT CORPORATION, LIMITED

IMPROVING MARKETS

MR J. N. BUCHANAN'S STATEMENT

The twenty-eighth annual general meeting of The Industrial Finance and Investment Corporation, Limited, will be held on December 11th at 82 King William Street, London, E.C.

The following is the statement of the chairman, Mr J. N. Buchanan, DSO, MC, which has been circulated with the report and accounts for the year ended June 30, 1953:

The first half of the year covered by these accounts was one of reduced activity. The company's business, however, improved during the second half. Owing to the uncertainty of the outlook at the beginning of the year, an unusually high proportion of the company's funds was kept in cash or short-dated investments. Partly as a result of this, there has been a slight fall—about 3½ per cent—in our investment income, of which I gave warning in my last statement.

You will see in the profit and loss account that no charge has been made for profits tax. A large part of the company's revenue is in the form of franked investment income, which does not attract tax. In addition, we still have some relief available as a result of the change made in 1950 in the basis of valuing our investments and also of the depreciation of investments suffered last year.

CONTINENTAL HOLDINGS

The recovery of moneys invested in Germany before the war is continuing. This year's total is the highest achieved so far and your directors recommend a bonus of 2 per cent, less income tax, on this account. In order to enlighten shareholders who had acquired their shares in the last few years, I should perhaps emphasise two points. Firstly, all continental investments were entirely written off in 1940. Secondly, the resultant losses had been allowed for in computing our earlier liability for taxation; consequently, recoveries subsequently made will be subject to taxation.

The time factor governing these recoveries is difficult to assess with any degree of accuracy, more particularly in cases where we endeavour to reach agreement for capital repayments in blocked Deutsche marks rather than fund such loans on a long-term basis. If and when some measure of success attends our efforts, as this year, it is the intention of your board that shareholders shall derive benefit in some form.

As lately announced in the Press, your company has taken a participation in Private Enterprises Investment Company, Limited. Your board are of opinion that the field in which this concern will be operating will offer opportunities of useful collaboration.

The opening months of the company's current year have witnessed a satisfactory improvement in markets, with consequential effect on the investment portfolio, whilst on the financial side a number of promising propositions are in course of examination.

Once again our sincere thanks are due to the Managing Director and all the staff for the satisfactory results of the past year, and in your name I wish to record our appreciation of their fruitful work.

MERLIMAU PEGOH, LIMITED

PRICE FALL AFFECTS PROFITS

The forty-fourth annual general meeting of Merlimau Pegoh, Limited, was held on November 4th in London, Mr J. L. Milne, chairman, presiding.

The following is an extract from his circulated statement:

Although the parent company's crop was slightly higher and its costs somewhat lower in the year ended March 31, 1953, than in the previous twelve months, the profit, before taxation, was down from £268,473 to £76,237. This was due to lower prices ruling for rubber, which affected our sale proceeds and also to reduced dividends from our subsidiary companies.

The extent of the fall in the price of our product will be appreciated if I tell you that whereas the average spot London price for No. 1 R.S.S. for the year was about 2s. 1d. per lb., it was around 3s. 8d. per lb. for the previous year.

After deducting from the above-mentioned profit of £76,237 the amount required for loan stock interest, £11,128, and taxation, £29,339, there was a balance of profit of £35,770. Out of this a dividend of 5 per cent was paid on October 10, 1953. After making transfers and adjustments there is a debit balance for the year of £15,469, which reduces the carry forward from £41,137 to £25,668.

The lower price ruling for rubber naturally also affected the results of our subsidiary companies and, as will be seen from the consolidated accounts, the profit, before taxation, of the whole group was reduced from £419,031 to £107,271.

The report was adopted.

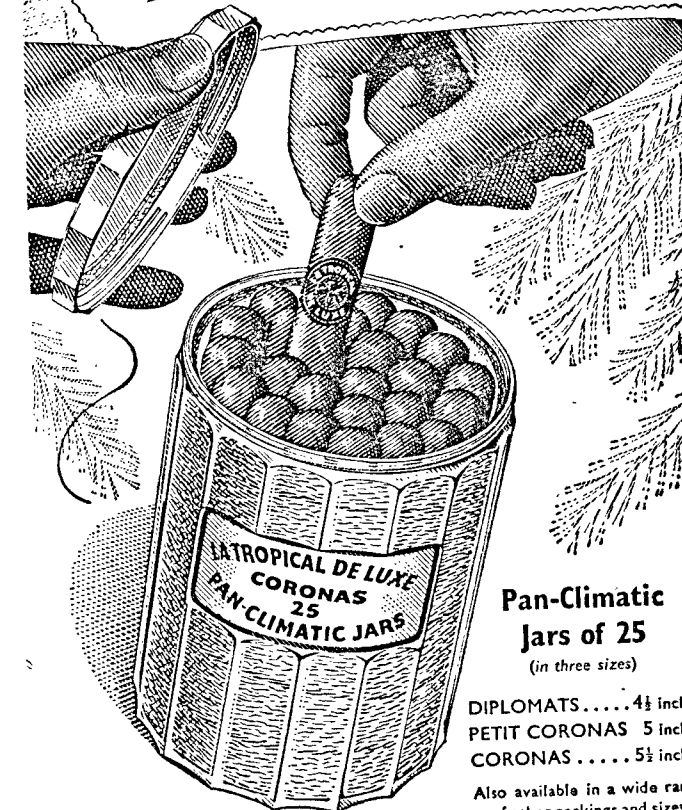
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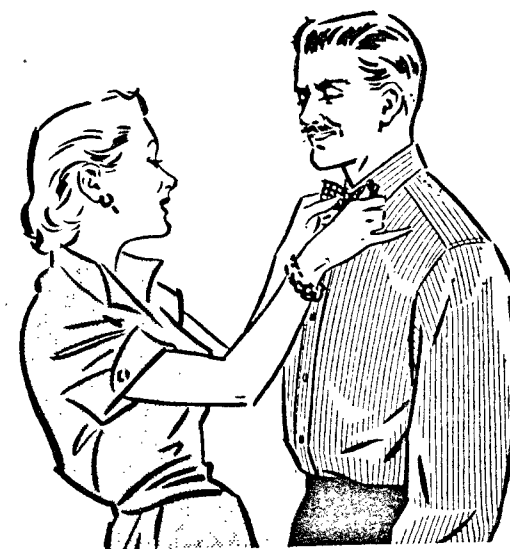
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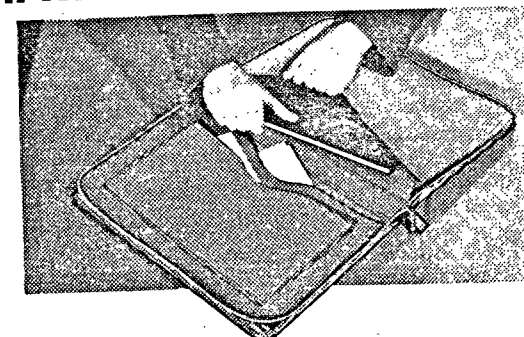
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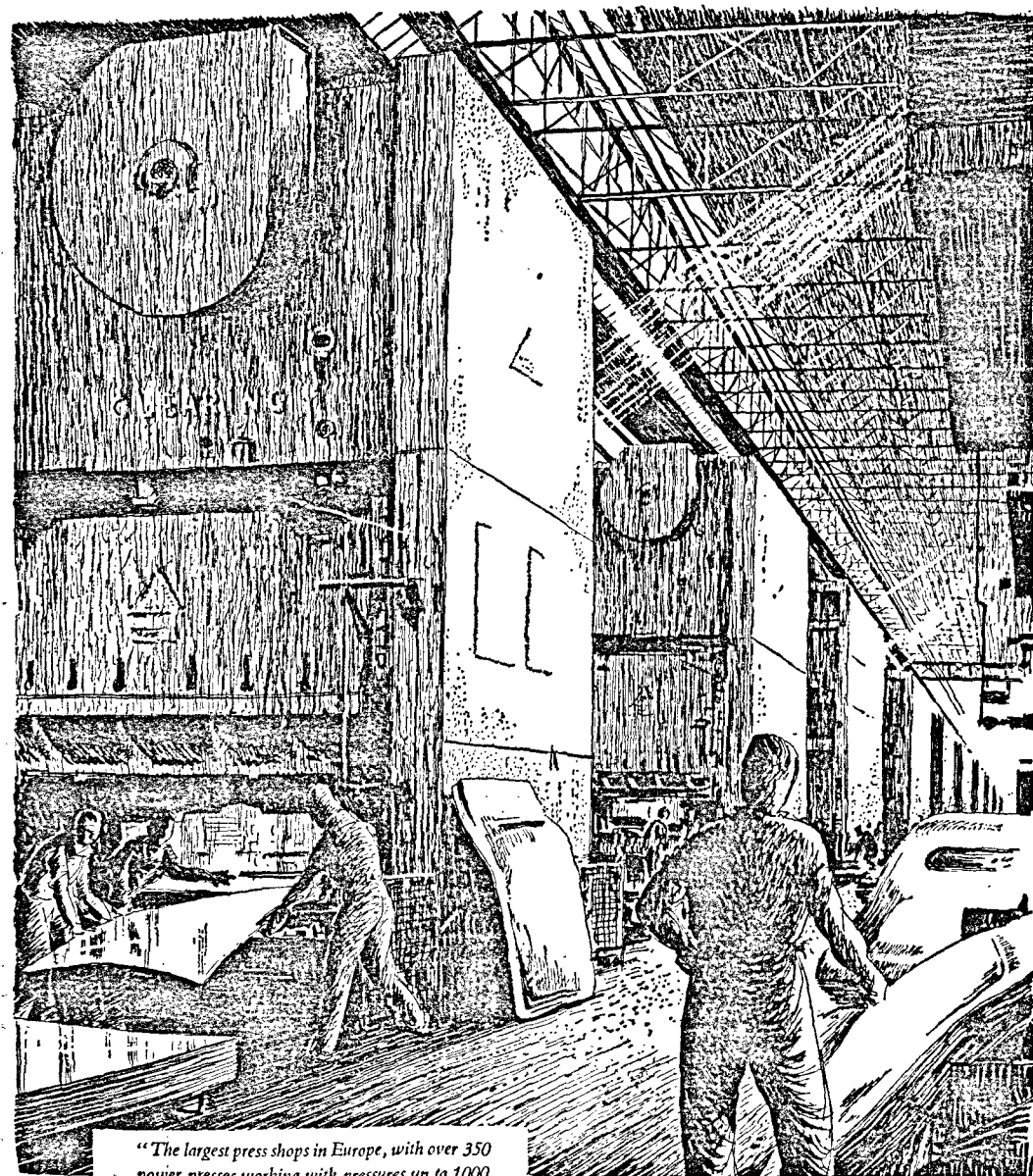
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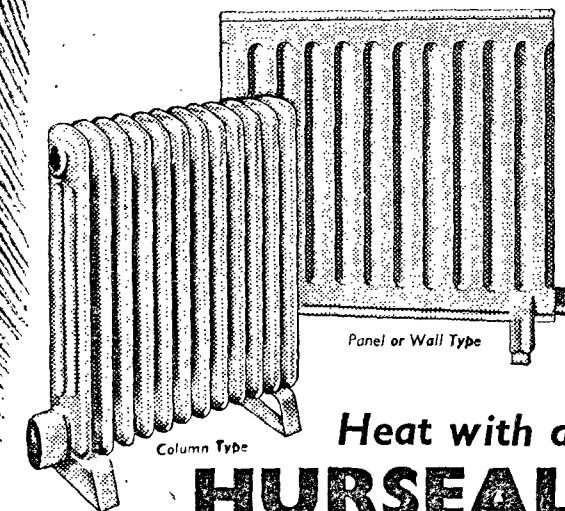
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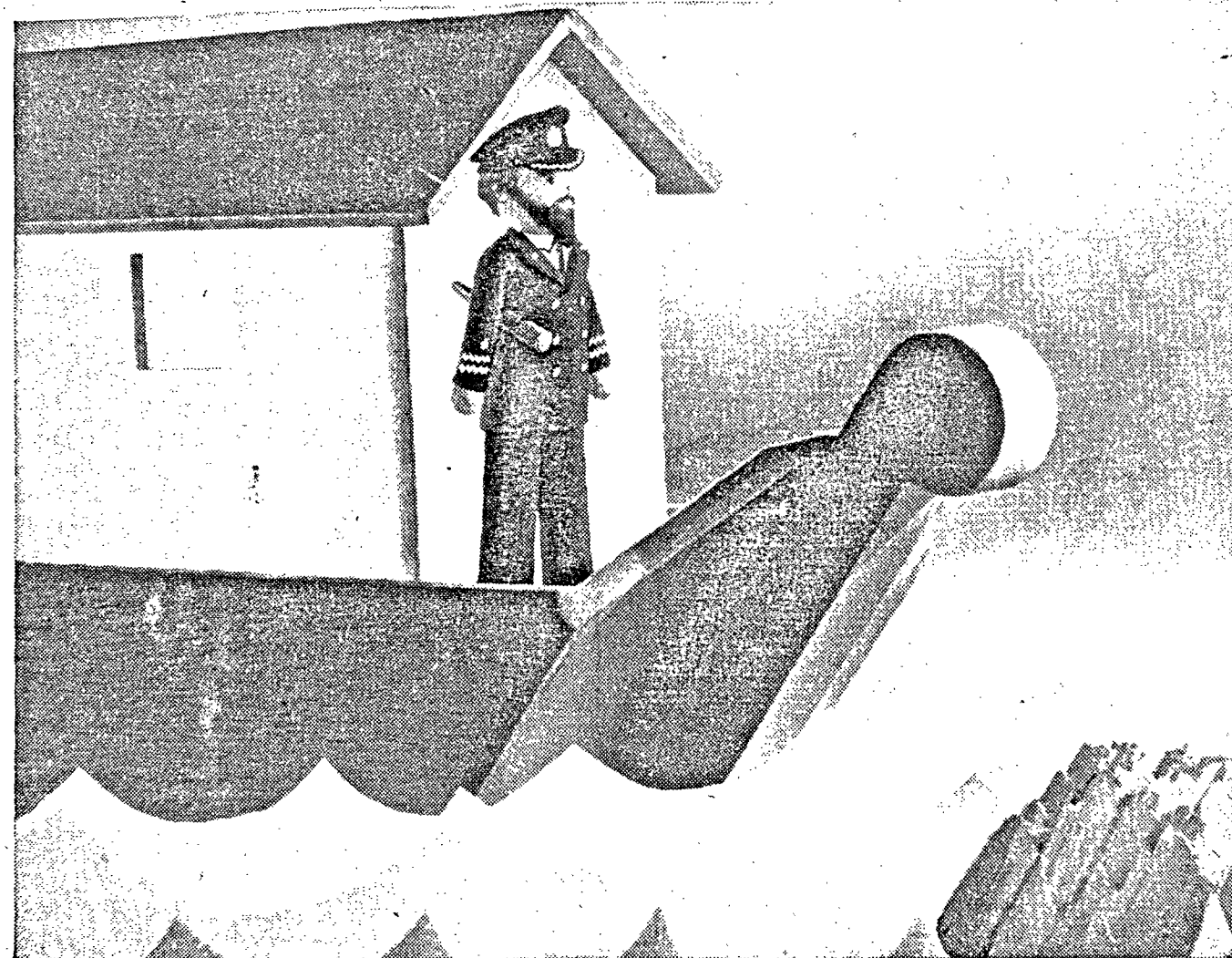
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Conserving the Featherbed

THE Government has decided to end all food rationing by the middle of next year, and with it to end (except for a few commodities) state trading in foodstuffs. This, however, is merely the occasion of the White Paper on "Decontrol of Food and Marketing of Agricultural Produce" (Cmd 8949), which is a more important document than its cumbersome title and its brevity suggest. Its implications cover the whole field of government policy for food and agriculture. Mr R. A. Butler, in what is perhaps a pardonable exaggeration, describes it as dealing with "the most difficult problem in modern times." It is concerned with how to secure choice and plenty for consumers while providing stability for producers.

The White Paper itself does not provide a full or even a consistent solution for this central problem. Its object is to show how the Government guarantee to agricultural producers will be honoured in the changed circumstances of a free market. That there should be some guarantee is not in dispute. For reasons that are a mixture of strategy and economics, the country requires a larger output of food from British farmers than could be expected without Government support; and they need to be protected against wide fluctuations in prices. The guarantee to agriculture cannot, however, be unconditional, nor is there one sacrosanct way of administering it. It now needs to be given in a form in which the consumer can also resume his traditional freedom of choice and the taxpayer can be told the extent of his obligations toward British agriculture. This changed situation is the starting point of the Government proposals. Unfortunately, in Monday's debate, the Opposition insisted in viewing these proposals exclusively in terms of their impact on the "confidence" of producers. Mr Tom Williams painted a ludicrous spectre of the countryside reduced once more to a condition of poverty and despair; and if a free market is incompatible with the pledges to agriculture, he contended that the former must be sacrificed to the latter.

In fact the Government proposals must be judged as what they are: an attempt to strike a balance between the divergent interests of producers, consumers, and taxpayers. In the crucial field of livestock marketing, an ingenious attempt has been made to reap the benefits of a free market in a way that overcomes the vehement objections of the farmers' unions. The prewar system of livestock markets will be restored, although an inquiry is promised into its "unsatisfactory" features. At the same time producers will get the benefit of two separate types of price guarantee. The Government will fix a "standard" price for each grade of fatstock, and any divergence over the year between this price and the average price actually realised will be made good and distributed between producers according to the volume of their sales. This arrangement, similar to the deficiency payments scheme for cereals, ensures that meat producers as a whole will get an adequate level of returns; but it does not (they claim) give sufficient help to the farmer who gets a particularly low price when

he takes his beast to market. He is therefore to get the further protection of a guaranteed minimum price which will underwrite each individual transaction.

The results of this elaborate system cannot easily be forecast. To some extent it will persuade farmers to study consumer taste as reflected in the market; but unless the guaranteed individual price, which will be varied seasonally, is set very low during the peak period of home killings, they will have too little inducement to increase their supplies at other times of the year. In this case the cost to the Exchequer of honouring both guarantees, which are separate and cumulative, may be very large. Producers will get the carrots of a free market while the sticks are diverted on to the backs of the taxpayers.

But the livestock scheme is at least the outcome of original thinking. It is the Government's only attempt. For other commodities it puts its trust in the hoary recipe of producers' marketing boards. The boards for milk, potatoes, and bacon pigs that existed before the war will be restored to power. In addition, new producers' boards may be established for eggs and even, perhaps, as "a long-term solution," for the marketing of livestock.

Ministers have offered no justification for this grave and far-reaching decision. Apparently none is thought necessary, since the Conservative party is committed to the principle of producers' boards and the Opposition, in its pursuit of the rural vote, is halfhearted or less in its objections; but if politicians do not care, it is all the more important for others to look at the consequences.

★

Before the war the boards used their statutory monopoly to manipulate the market to get maximum returns for producers. Whatever justification there was for their activities then derived from the depressed condition of agriculture. Even so, the system was condemned as wrong in principle by successive committees of inquiry. It certainly is not right now that the extenuating circumstances have wholly disappeared. The boards will now be handling commodities carrying a Government price guarantee in some form or other. The Government is strangely reticent in explaining how a producers' board can be made custodian for the taxpayers' money. This is the riddle which the Lucas Committee pronounced insoluble, but the Government simply says that "adequate safeguards" will be provided; and that these will include, initially at least, Ministerial review of all price determinations made by the boards.

The main test of this policy is milk, which accounts for 30 per cent of the net output of agriculture. The market for liquid milk is already glutted despite subsidies which amounted to £83 million in the last financial year. If producers are to go on getting their present guaranteed prices for milk, a large sub-

sidy must also continue. It is hard to understand how the Chancellor can accept this prospect. He pointed out in the debate that if prices are fixed in advance while the amount sold is unlimited, there is no ceiling to the Exchequer's liability. He regarded this situation as intolerable for livestock; how does it differ in the case of milk? Possibly the Government means to attach a quantitative limit to its price guarantee for milk; it may even intend to change over from guaranteeing fixed prices to some alternative formula which will limit its liability. But if it does screw up enough courage to do either of these things, the first result would be to bring the monopoly powers of the board into full play. As before the war it would doubtless restrict supplies to the liquid market in order to keep up prices; and the consumer at least would be no better off.

It is equally hard to believe that producers' boards will be any more successful than before the war in improving the efficiency of marketing and distribution. The need for some public regulation to cut down the costs of distribution was exhaustively demonstrated by the Lucas and Williams Committees, but it is not even mentioned in the Government proposals. The suggestion has been made that the boards should be widened to include representatives of distributors and consumers, but this partial syndicalism is in no way the equivalent of an impartial board of control.

In its anxiety to meet the claims of both farmers and traders, the Government has reckoned too little the cost of its proposals to the nation as a whole. All these subsidies on food with the exception of the welfare schemes, must from now on be regarded as primarily producer subsidies. They represent in effect the extra cost of homegrown as opposed to imported food. Although no figure can yet be given, the cost of supporting British agriculture under the new dispensation may easily approach £200 million a year. It may be higher.

This payment, large as it is, may yet be a reasonable price to pay for the insurance that a large domestic output of food provides. But before this conclusion is reached, the reasons for it ought to be more clearly understood and debated; and if these large subsidies are in fact to be paid, then the search for greater efficiency in both the production and marketing of foodstuffs ought to be relentless and the machinery to ensure that it takes place ought to be foolproof. There can be no case at all for devolving this responsibility on to producers' monopolies, whose interest in effective action, while enjoying a full Government guarantee, is much less than that of taxpayers or consumers; and if the guarantee to farmers is to be curtailed or modified (as in practice it may be, whatever the Government's present intentions), the interests of the marketing boards will run directly counter to those of the rest of the community. In their present shape, the Government's proposals may well bring higher consumer prices and restriction of imports as well as a heavy load of taxation. This is too high a price to pay for the farmers' vote.

An Idea for Bermuda

SIR WINSTON CHURCHILL is, after all, getting a little of his own way. Having failed to bring the Big Four together, and having received no response to the suggestion that he and Malenkov might together make a *tour de rideau*, he has at least succeeded in getting President Eisenhower and the French Prime Minister to take part in a conference next month in Bermuda. There, at the highest level but not without expert assistance, they can exchange views on the breakdown of hopes that were raised after Stalin's death by the Russians, inflated and dramatised by public opinion and the Prime Minister himself, and then deflated in the cold prose of the last Soviet Note. Sir Winston, faint yet pursuing, will talk with an American President who is bored but polite, and with a Prime Minister who is willing but powerless until it is known who France's next President will be. What, then, will they talk about?

The chief item must clearly be Germany. The door seems closed to a four-power peace treaty with a united country; it is therefore for consideration whether there can be a three-power settlement with a divided country. At first sight the difficulties are not obvious. After all, the allies are in occupation of the Federal Republic; their relations with the Germans are very fair; and Dr Adenauer has just received a resounding vote of confidence in his policy of co-operation with the West. Why, then, should peacemaking be difficult, especially with the Russians standing aside? The brief answer is that to make peace with the Federal Republic on the terms already drafted is possible only if the treaty for a European Defence Community is ratified, notably by France. That treaty is so interwoven with the Bonn Conventions by which the allied occupation would be brought to an end, that the one instrument has no formal validity without the other. Together—but only together—they provide the essentials of a peace treaty. The Germans accept the obligation to contribute to defence in return for virtual independence in all things but defence; the French and their allies approve Germany's rearmament in return for its undertaking to accept dependence in defence.

That, on paper, is the situation as it has been for nearly two years. If it has changed in fact, it is because the hesitation of Germany's neighbours to create the defence community (EDC) has given Dr Adenauer's government every opportunity to behave as if the occupation were already a thing of the past. Hopes that the Russians would treat on German unity, fears of German resurgence, suspicions of the sacrifices demanded of governments in a European community—these things have created delays that have worked to the German advantage. If the EDC is now rejected, then Dr Adenauer will be able to stand out for far

better terms in a new settlement than he dared hope for two years ago. A settlement that is tied to the EDC means a new start with the Germans in harness; a settlement without EDC means a new start with the Germans outside the shafts of the western alliance, expecting to be coaxed and bribed into a leading position in the team.

The Bermuda conference cannot, therefore, avoid the heated and complex arguments for and against EDC and the alternatives to it. Nor can it evade the fact that M. Laniel can give no assurance that France will accept the treaty before next spring. But this is all old stuff; and if progress is to be made by the three statesmen there will have to be some fresh thinking about their next objectives.

★

There are three main questions to be asked which, if they are frankly and honestly examined, point clearly to a British—and perhaps an American—initiative. First, there is the question whether there is, in present circumstances, an acceptable alternative to the European Defence Community. Secondly, there is the question about what happens if the French reject the treaty setting up the community. Lastly, there is the question whether the British can do more to help.

Some maintain that there is a simple and excellent answer to the first question: it is that Germany should come into the Atlantic treaty organisation as a full member. The argument is attractively presented: the mighty Atlantic community would contain a rearmed and impatient Germany far better than could the small European community; Germany would be one among five major powers, instead of sitting as an overpowering partner *tête-à-tête* with a resentful and self-pitying France. In fact, the proposal to "rearm Germany within the framework of Nato" means simply rearming Germany—nothing more. It means that the Federal Republic would have its own defence ministry, its own general staff, its own ministry of supply and defence industries, and its own defence budget. That is a very long way from the integration of EDC. Any illusions about the freedom of a German government in Nato to move its own troops, to make its own threats, and to thrust its own territorial claims on its associates must have been dispersed by the behaviour of the Italian government in the last two months. To give Germany the freedom of Nato may be a good way of frightening the Russians, but it is no way to reassure the French or, indeed, the Germans themselves; for as Dr Adenauer himself would put it, they are not confident that the young republic could control alone the forces that would be set loose by a straightforward revival of the *Wehrmacht* and the arsenals of the Ruhr.

In fairness this, perhaps, should be added. If the United States and Britain and Canada should decide to make of Nato a much tighter and stronger association—a real Atlantic defence community—then it could be argued that it could safely contain a rearmed Germany. But for that to be possible there would be needed time to think, a change in the British attitude, and above all a change in the American disposition—discussed this week by our Washington Correspondent—to expect other nations to give up their sovereignty while the United States guards jealously every scrap of its own. It is not inconceivable that such a change might one day come; but it would need an effort of imagination and leadership even greater than that which created Nato in 1948. Otherwise, what are to be the Atlantic, as distinct from the European, controls on German rearmament?

Suppose France rejects the treaty—what happens then? Dr Adenauer clearly cannot and will not wait another year to learn on what other terms his government's independence will be granted. It would be a sad climax to Allied policy to see him demanding with threats what they had been offering with inducements only two years ago. He could argue that he had committed himself to their European policy, fought and won an election on it, only to be faced with its rejection by the very government that had first proposed it. In such a ludicrous predicament France could count on very little sympathy from either Britain or the United States. Moreover, it is most likely that a French government which had failed to get the EDC treaty accepted would veto the admission of Germany into Nato.

What, then, could be done? It is sometimes suggested that an old-fashioned Anglo-American-German agreement on German rearmament would be possible. It probably would; but to attempt it would be the signal for the collapse of the whole movement to integrate Western Europe—and the death of the only positive political idea that presents itself to European youth. Another suggestion is that the whole idea of German rearmament should be abandoned. That would please the Russians, but would it now be acceptable to the Germans? Quite apart from the indignity of expecting Mr Dulles and Mr Eden to demand that the Germans should not do what they had previously been so stoutly urged to do, there is the fact that Dr Adenauer's government is in an excellent position to say Yes or No about how and when rearmament is to begin.

Yet, powerful as the arguments for the defence community remain, it is clearly in danger; not only from those in the member nations who oppose it from motives of sectional interest, but also from those who do not want to be remembered as supporters of a cause they believe already lost. If the British Government

are convinced, as the United States government clearly still is, that the creation of EDC is a vital objective of policy, then they must ask themselves whether there is anything they can now do to tip the balance of opinion in its favour. And here a very special responsibility lies on Sir Winston Churchill personally, both because he has pressed for this conference and because Europe remembers how he once advocated a European army.

★

It appears that the balance in France might be tipped by a British undertaking to keep a minimum number of troops on the Continent, in the closest association with the defence community, and to move them only in agreement with the six members of EDC. There exists already an undertaking from the United States, as well as from Britain, that forces will be kept in West Germany and Berlin as long as is necessary. What, therefore, is asked for from Britain is a promise not to reduce those forces without the consent of France, Germany and its associates. Is that really an impossible pledge for a Conservative government to give and for a Labour government to honour? Would it hurt Britain as much as opponents say it would? From the strategic point of view the argument in its favour is, perhaps, stronger than it has been seen to be in the past. The central area covered by EDC—northern France, the Low Countries and northern Germany—are now virtually part of the Fighter Command area of these islands. The airfields, dumps, pipe-lines and radar installations that exist there, largely at allied expense, for the use of the RAF, are evidence of an inescapable fact. The decision to stand ready on the Continent in peacetime has been taken; indeed, the War Office would be baffled if it suddenly had to accommodate at home the four active divisions now in Germany.

Only in a dire emergency outside Europe or in a situation demanding the most drastic cuts in defence expenditure would it be desirable to reduce those forces; and it is difficult to believe that Britain's allies would refuse agreement to a reduction if its necessity were apparent beyond dispute. What then stands in the way of such a concession—it would have to be the final concession—to French fears of what Germany might become and do in the EDC? If Sir Winston could at Bermuda offer some such pledge, if only for a limited period, then it would be fair to ask that M. Laniel and M. Bidault—or a future French Prime Minister and Foreign Minister—should stake their government's fate on a demand for the ratification of the EDC treaty. But it is important that the British should offer a sacrifice without being asked; and it is even more important that President Eisenhower should go to the limit of his power and discretion in assuring the Europeans that his conception of the American role among them has not changed since he ceased to be their Supreme Commander.

Britain and Japan

THERE can no longer be any doubt that Japan is on the way to re-emergence in world affairs, not merely as the strongest industrial power in Asia after the Soviet Union but also as a considerable military power. After a period of indecision and tentative bargaining with Washington it is now going ahead with plans for building up an army of substantial size, for which the United States will provide a large quantity of equipment. The Americans want Japan to be capable of self-defence; for they are unwilling to keep ground forces stationed there longer than is necessary, partly because it would immobilize a large number of troops in a distant country in case of a major war, and partly because of the stimulus given to anti-American agitation by the continued presence of what were formerly forces of occupation.

The new developments are primarily a matter of negotiation between Tokyo and Washington. But the prospect of Japanese revival is one that cannot be entirely without interest also to Britain and the Commonwealth. The view is sometimes held that the affairs of Japan are now beyond the horizon of British concern and are best regarded as a sphere of American policy and responsibility with which Britain should have nothing to do beyond a minimum of normal diplomatic relations. This attitude of detachment and indifference does not, however, correspond to the facts of international relations. Britain is not isolated from Japan in another world, but is involved over a wide range of export markets in a commercial competition which is likely to become more intense. Britain cannot avoid having relations with Japan, and if they are not good, they will be bad. Unfortunately, a series of recent events has given ground for believing that possibilities of improving them have been neglected.

The British attempt to keep Japan out of Gatt (which in any case failed) has been the most obvious example of antagonism arising out of trade rivalry. Such a policy might be regarded by the Japanese as a move in defence of British economic interests without the implication of any national antipathy, if there were in other fields convincing manifestations of good will. But it has been just at those diplomatic and ceremonial levels where so much can be done at so little cost that brick-dropping seems to have become chronic. The good effect of the visit of the Crown Prince to this country was marred by the incident at Newcastle and the hostile attitude of a section of the Press, which were widely reported in Japan; even so, the harm done could have been counteracted by a little officially arranged publicity of the right kind. But the film of the Coronation sent to Japan caused cinema audiences there to besiege box-offices, demanding their money back, because it provided no glimpse of the heir to the Japanese throne who had travelled half way round the world to be present at the ceremony as the guest of

Queen Elizabeth. Similarly, the opportunity afforded by the appointment of a British Ambassador after the conclusion of the San Francisco peace treaty was spoilt by the knowledge that he had originally been nominated to China, and that Tokyo had been used as a dump for an envoy rejected by Peking. These may seem trivial matters, but they are inevitably taken to heart by a proud people which is trying to find its way back into the comity of nations.

★

The British people has grounds in recent experience for being wary and suspicious with regard to Japan, and there is good cause for alarm among British manufacturers at the prospect of a renewal of intensive Japanese commercial competition in world markets. But this country has not maintained its immediate post-war attitude of dislike and distrust towards Germany, though there were comparable reasons for such a state of mind, and it is most undesirable that war-time feelings should be permitted to influence British policy towards Japan at a time when it is being rearmed as a part of the defensive structure of the free world. The security arrangements recently concluded do not simply make Japan an ally of America; they bring it into a scheme of Pacific defence, which also includes the Philippines and Anzus, and is a partial equivalent of the Nato system on the other side of the Soviet bloc.

Whether one recognizes it or not, the Japanese are indirectly becoming an allied power, and the only real alternative to their being such is that they should pass into the Asian Communist orbit. Certainly it will not help the political leaders of Japan to keep their country on the side of the free world if they are cold-shouldered by the nation which ranks second in importance among the western powers. On the other hand, if there were to be closer and more friendly relations, it might have a highly significant effect in confirming Japan in its present course of political development. For various reasons its relations with the United States give rise to tensions that are not without danger for the future. Japan remains dependent to a high degree on American economic support, and this dependence enables the American Government to bring strong pressure to bear on Tokyo whenever it wants to influence its policy. But even though such pressures may be hard to resist, they evoke strong nationalist resentments and provide favourable opportunities for agitations promoted from Moscow and Peking. The present government may agree on a programme of rearmament and conform its foreign policy to American requirements, but this is a course which cannot be followed indefinitely if the most active political elements in the country, especially of the younger generation, are persuaded that Japan has become a satellite, or even a "colony," of America.

and that its new armed forces are intended for use only as mercenaries. What is above all needed in contemporary Japan is the sense of participation as an equal and respected member in a community of nations transcending the special, and inevitably dependent, relation with the United States.

There should, of course, be no question of Britain competing with the Americans for influence in Japan or trying to undermine their position there. It is ultimately to the American interest that Japanese policy should not depend simply on Washington's capacity to offer inducements or threaten sanctions, but should be reinforced by a deeper awareness of belonging to a world-wide association of free nations with which Japan's future is bound up. No country can do more than Britain to strengthen these ties. Many Japanese still look back with pleasure to the days of the Anglo-Japanese alliance as the most successful period of their modern history; British institutions are more congenial, Britain's national problems more comparable and Britain's experience more applicable from a Japanese angle of view than those of the United States. There is no reason why the contacts of the two island countries should not be greatly extended if there were a will for closer relations. If the two peoples become accustomed to think of each other only in terms of rivals for

markets, the disputes that will arise must become more exasperated by lingering feelings of distrust and antipathy. But if political relations are as sound as diplomacy can make them, conciliation is possible.

So long as Mr Yoshida and his colleagues feel that nothing of importance can be decided or discussed save by visits to or from the former American occupier, so long will there remain a problem of face—a problem only too familiar to the British in Asia. Here Britain can help, especially by recognising that it can have no effective policy in the Far East, especially towards Communist China, unless it gets itself in a position where its advice is sought and heeded by the Japanese. They have to find and fill a new role in Asia, which might easily become a fierce and lonely one if they are simply ignored from the centre of the Commonwealth. It might, for example, be found useful to associate them with the Colombo Plan, so that their economy might be linked with a great international enterprise reflecting the new co-operation between the white man and those who seek his help. Japan, as its internal political struggles show, is at the cross roads of sympathies and aspirations; men of goodwill are trying to take the right turning. If they receive no encouragement from Britain and its associates, they might quickly turn back to the sullen vindictiveness of the disinherited.

The Charabanc and the Law

THERE used to be something of vulgarity about the idea of joy-riding in numbers of more than two or three at a time. A flavour of paper hats and football rattles, of beer and fish and chips, clings still about the good old un-English word "chara." But now the charabancs have all turned into coaches, and along with the change of name has come a change of status. Coach parties today may not be stylish, but they are eminently respectable. Delegates to serious international conferences are refreshed for their labours by coach trips to local beauty spots; Eatanswill Conservative Association packs itself with dignity into hired buses to visit a town where one of the party's leaders is making a speech. And no one who saw the West End in the weeks after the Coronation, when many thousands of coaches converged on the processional route from all over England, can doubt that, whether called charabanc, coach or Road Cruiser, the bus is an accepted means of recreation for a great variety of people.

But if the charabanc has turned respectable in the eyes of the public, much that it is used for lies on the fringe between legality and illegality created by the confused state of the licensing regulations. There are three ways of putting a bus on the road. One is to obtain a licence to run a regular passenger service over a stated route at stated intervals for stated fares. Another is to obtain a licence to run excursions or tours to certain destinations, on which any member of the public

can book a seat. The third way of running a bus needs no licences (except those concerning the fitness of vehicle and driver) and amounts to chartering the bus and its driver to some privately organised party of people to take them to a place of their own choosing. These legal distinctions are more historical than truly functional, and lead to some curious anomalies.

The first two ways of operating buses—regular local and long distance passenger services and public excursions—are controlled very closely indeed by the eleven area licensing authorities. Every journey and every price has to be approved in advance. The system has outgrown some of the crudely restrictionist character of its early days. For local passenger services, at least, it now serves one obvious public interest. A company is not allowed to run stage services to take the cream of the traffic at busy times and places; licences are made conditional upon adequate services being provided in off-peak hours and to outlying districts.

The close control of long-distance services and advertised pleasure excursions, however, has no such justification. It remains a system conserving established interests against new arrivals in the field, to the consumers' disadvantage. Such competition as exists between rival operators takes place less on the road than on the table of the licensing authority, where every application to vary an existing licence or to obtain a new one is subject to appeal by other operators whose

interests might be affected; they can appeal on the grounds that the service it intends to provide is already given by themselves. Licences to do tour and excursion work are not, on the whole, so strongly contested as those for stage carriages. But even here the more popular classes of business, the semi-local excursions, are most closely guarded.

Each licensing authority consists of a Ministry chairman and a couple of local councillors. The basic principles on which their decisions are founded, and the pattern of service that results from their activities, are not easy to see. "In the interests of economy" their annual reports to the Minister are not published, except in summary form; "387 valid appeals [against their decisions in 1951-52] were lodged . . . of these 63 were against the refusal of licences, 109 against the grant of licences. . . ." It would surely be in the public interest to know what these were all about.

★

Work on private hire is the free market within an industry which in every other respect is exceptionally tightly regulated. A free market that, subject only to the road safety tests, anyone can enter with one second-hand bus. A free market in which "haggling" over price really takes place. Small wonder that there have been repeated attempts to regulate this section of the industry too. Groups of operators in many towns have tried at one time or another to form local price agreements for private hire work, but always some operator sees a chance of a quick profit and breaks away from the ring, or else a rival from a nearby town quotes a lower price and steals all the business—for a coach service is mobility itself, and it makes short work of local pockets of monopoly.

There is, besides, an inherent instability in the cost of private hire work that makes any fixed average artificial. A theatre party, for example, might approach two companies for quotations for a five-hour evening job. If the first is a company owning a large fleet of buses, engaged on long-distance express services and popular excursions, this particular contract might mean keeping a bus unnecessarily idle all day and then paying the driver overtime; the other may be a one-man business, glad to utilise the vehicle on that date. The two quotations may then differ considerably, and they could just as easily be reversed if the big company happened to be expecting many of its vehicles to be idle that day. Cost are not uniform, or even uniformly calculated. For the large companies, firmly entrenched in licensed operations, private hire is an irregular sideline, priced at something very near to marginal costs that may vary greatly for each particular contract. For the small man, struggling to get a toe-hold on this free first rung of the industry's ladder, prices must cover average cost in the long run, but overheads in an efficient small business of this kind can be cut to the bone. So the "price war" in private hire has plenty of scope.

An interesting position arises in London, where the

London Transport Executive, unlike municipal services in other cities, has permission to engage in private hire work within its own area, and does so, since the end of petrol rationing, on an increasingly large scale. Its week-end pool of idle vehicles is, of course, enormous; it can put something like 400 buses out to private hire on a summer Sunday without inconvenience, at very moderate costs.

The line of distinction between the open market in private hire and the controlled market in excursion and long-distance express services is like a frontier between rationed and unrationed communities, and it constitutes a continual challenge to the "have-nots" to break the law. For the small man building up a business on private hire, the difference between hiring out one's coach to a party organised by someone else, and doing a little to encourage that organisation oneself, is easily blurred. It is an open secret that in many small towns where no licensed bus service runs to London, for example, or to Blackpool for the illuminations, operators do in fact run effective regular services to these places under the thin disguise that their passengers on each trip constitute a private party hiring the coach for its own purposes. The several hundred annual prosecutions for "using a vehicle as a stage vehicle or express carriage without a road service licence" probably consist largely of such cases.

Such evasion of a law which at best commands little respect is helped rather than hindered by a considerable vagueness in the law itself. Among the conditions governing private hire is one stipulating that the journey must be for a "special occasion," and although the Act of 1934 attempted to clear up earlier controversies about what constituted a "special occasion," subsequent High Court judgments have reopened the question and left matters in a position where nine-tenths of honest private hire work may be technically on the wrong side of the law. Does the hiring of a coach for a special occasion mean an occasion "special" to the party or to the destination? If a Sunday School outing is planned to take children to the seaside, is their "annual treat" a sufficiently special occasion, or must they choose a day when a statue is being unveiled on the promenade? If a visit to a ballet which is performing for a week is a special occasion, can the same be said of a visit to a pantomime which runs for three months? It is in such nonsensical terms that the legality of private hire contracts can be challenged and this in an industry where it is already a firm habit to try to stop the other fellow putting his bus on the road.

The whole problem of regulating road passenger transport is at present one of the subjects being reviewed by a departmental committee—the Thesiger Committee. It is understood that the committee's wide terms of reference will enable it to reconsider the unsatisfactory nature of the licensing laws. These laws have nothing to do with nationalisation; they are a legacy from the monopoly-minded thirties, and they constitute an unreasonable handicap to genuine private enterprise.

Notes of the Week

The Regency

THE Regency Bill attracted only sporadic controversy, strictly confined to the backbenches, on its second reading in the House of Commons. But there has been a variety of private discussion, and it was in tacit recognition of this that Sir David Maxwell-Fyfe gave a more detailed explanation—defence would not be too strong a word—than would normally be expected. The decision to provide that the Duke of Edinburgh should be Regent in the event of the Queen's death before her son is 18 became known in the summer at an unfortunate moment, when there had been a good deal of public gossip about Princess Margaret's alleged matrimonial intentions. Inevitably this was linked with the proposed alteration; and one personal issue having been raised, it has since been recalled that the Duke of Edinburgh is a member of the Mountbatten family, and that his uncle, who was responsible for much of his upbringing, had been involved in political decisions of a controversial nature.

The Government's careful public statement of the case for the change is understandable only against the background of this discussion. No good is done, however, by private controversy when the leaders of all three parties are agreed that present circumstances (including the wishes of Princess Margaret as well as of the Queen) justify the setting-aside of the Act of 1937, which was intended to make permanent provision for a regency and so to avert just the sort of discussion that has now arisen. Sir David seemed on weak ground when he argued that the then Government, only 16 years ago, could not have foreseen the possibility of a Queen with a young heir. But he was able to parade several precedents for the change, and finally he was able to assure those suspicious of the departure from the hereditary principle that the change will be "a limited exception" to the Act of 1937. It might have been possible to observe the principle as far as the regency itself is concerned while providing that the father of a young monarch, not the next adult person in the line to the throne, should act as guardian. But, as Sir David seemed to imply, such a division of the functions of regent

and guardian might not be the most helpful environment for a young king in his formative years.

The other main proposal of the Bill, whereby the Queen Mother becomes one of the Councillors of State, is plainly welcome to all, although some thought is rightly being given to Mr Gordon Walker's submission that Britain should fall in line with other Commonwealth countries and appoint a governor-general to act in the Sovereign's absence.

Labour Scratches the Surface

THE Government has emerged almost unscathed from the first Parliamentary tests of the new session. At the beginning of the debate on the Address, Ministers seemed vulnerable at four points—foreign policy, rents, agriculture and food prices. By the end they had cleared their lines in each sector. The announcement of a new date for the postponed Bermuda conference pleased those who had been urging Sir Winston Churchill to regain the diplomatic initiative; the housing White Paper set out a rents policy that steers a clever course between economic need and political expediency. The Opposition duly tabled censorious amendments to the Address on agriculture and food prices, but both were defeated not only in the division lobbies but also in debate.

Neither on agriculture nor on food prices is the Government's position in fact strong; but the Opposition chose merely to scratch the surface. It could not bear to jettison a single catchphrase in the interests of establishing a coherent and logical policy. This enabled the Government simply to counter-attack on Labour's own record. When the Opposition sought to outbid the Conservatives as the farmers' friend, the Government could recall Labour's opposition to prewar legislation beginning with the 1932 Wheat Act. On food prices, the Government could make parallel points laced with pertinent, and unanswered, questions about Labour's attitude to rationing and subsidies. Labour's only positive proposal—that social security benefits should be tied to the cost of living—had been condemned in 1946 by Mr Griffiths, then Minister of National Insurance.

Labour's debating failure was the more surprising because it coincided with fresh evidence that the party's internal stresses are for the moment stabilised. The twelve members of the retiring "Shadow Cabinet" have all been re-elected, and if Mr Bevan's position has improved, so has that of Sir Frank Soskice. Indeed, so anxious is the party to preserve the *status quo* that it even rejected, if only by one vote, the considerable claims of Mr Harold Wilson to a place on the front bench. It is a pity that internal stability should not be reflected in a more forceful challenge to the Government.

International Banking Survey

See page 527

Red Square Without Stalin

LAST week's celebrations in Moscow of the thirty-sixth anniversary of the October Revolution provided little new evidence about the balance of power in the Kremlin. Normally the speech delivered by an important personality on the eve of the celebrations is the highlight of the Soviet political year. But the nine months that have passed since Stalin's death were so packed with events that Marshal Voroshilov's speech came as an anti-climax. He broke no new ground, but merely echoed former assurances that the improvement of the consumer's lot is now the regime's primary task. On economic topics the speech added nothing to the recent pronouncements of Malenkov, Khrushchev and Mikoyan. On foreign policy it was simply a rehash of the latest Soviet Note, which is summarised on p. 502.

The personality of the man chosen to take the rostrum on such an important occasion gives the impression of a compromise. If contending groups were seeking a non-committal spokesman they could have made no better choice. Klim Voroshilov is an impressive figurehead, one of the last survivors of the Bolshevik old guard. Nominally he holds a high office, since as chairman of the Presidium of the Supreme Soviet he is the equivalent of president in a western country. But in the Soviet Union presidents have little say in policy-making, and Voroshilov, at the age of 72, cannot be viewed as a serious rival by any contenders for power. He has the additional advantage of being a military figure without too close links with the younger fighting generals. His military laurels were won during the civil war as Stalin's companion at Tsarytsyn. His prestige was tarnished during the war with Finland, when he was generally held responsible for Soviet reverses. Hence, after the German invasion he had to leave the stage and the limelight to younger men, although he was never dropped from the highest ranks of the Stalinist hierarchy.

During the parade held last week in Red Square the striking feature was the brevity of the military display. While civilians marched on as usual for hours, troops paraded for only twenty minutes. This may have been meant as a sign of the Soviet Union's peaceful intentions and of its deep preoccupation with domestic economic problems. Lest this should be taken as a sign of weakness, the Minister of Defence, Marshal N. A. Bulganin—who also took the salute—mentioned in a short address that the autumn manoeuvres of the Soviet armed forces gave a convincing proof of their military preparedness.

Bloodshed in Trieste

THE disturbances in Trieste last week have confirmed many British people in their support for the Yugoslavs; and those who believe that the balance of justice tips towards the Italian case have been thoroughly disgusted. Fascist hooliganism, sheltering behind student exuberance, and talk of British "colonialism" are a reminder of those cruel and reactionary influences that Signor De Gasperi worked so hard to oust from Italian political life. Mr

Kardelj has been made to sound like a sucking dove, and anyone who recalls what Italians did to Yugoslavs during the war now gets spontaneous applause. It is a sad falling away in Anglo-Italian relations, although those who have worked to improve them must persist in the effort to understand Italian feelings and Signor Pella's difficulties with the unruly parties of the Right.

Trouble was to be expected on November 4, which is a national holiday on which Italians celebrate the end of the first war and their original occupation of Trieste. In the light of the tensions built up during recent weeks, six dead and 77 wounded seems to have been a relatively low price to pay for preventing the city from being controlled by a mob. There is a case for reviewing in private the handling of the situation, but none for a formal inquiry: the facts given by General Winterton make that much clear.

Sir Winston Churchill pointed out very properly in his Mansion House speech that Britain has nothing to gain at all from staying in Trieste and doing such dirty work, and that it shares with the United States a vital interest in a peaceful solution of the problem there. Orderly demonstrations would have won sympathy everywhere, for reasonable people understand the Italian feeling that Marshal Tito has slowed down the departure of General Winterton's troops by his threats to use force. There should be no going back on the principle of the allied decisions already taken. Both in Rome and Belgrade the tone of official comment has become slightly more conciliatory and encourages the hope that a way out of an intolerable situation can be found by negotiation. Even when that has been done, Marshal Tito and Signor Pella should find a common interest in seeing that relations between their two countries are not wrecked by nationalist Fascists and nationalist Communists. In their methods and aims the two are not very far apart.

As India Sees Panmunjom

THE twists and turns of the day-to-day news from "Indian village" at Panmunjom suggest that two significant changes have taken place since work on the prisoners of war began. The behaviour of the hard-pressed Indian custodian force, under the direction of General Thimayya, the chairman of the neutral nations repatriation commission, has won much praise for its tact and impartiality, as well as for its determination to carry out a most invidious task in spite of every kind of external pressure. As a result, there is now considerably better feeling between the Indians on the spot and the American officers of the United Nations command.

This improvement has not, however, occurred to anything like the same extent in India itself. Each nation, whether in Asia or the western world, must solve for itself the problem of its own relationships with the people of another continent. But none is more important than those between India and the United States, and, unfortunately, one of the main impressions left among many Indians, even those of moderate views, by the contact of their own troops with the complex irritations of Korea is that the Americans have lost the power of being impartial. Having just fought one of the most cruel wars in history, the Americans deserve considerable sympathy. Indeed, one

Since it was largely through Sir Roy Welensky's influence that direct African representation on the legislative council was accepted by the Europeans, it is hard to see why he is jibbing now at a proposal that would still leave the total number of African representatives—including the two Europeans nominated to represent African interests—at only a half of the elected Europeans. Presumably the answer lies in the elections to the first Federal Parliament that will shortly take place. Sir Roy evidently hopes that by showing himself an opponent of African aspirations he will draw votes away from the Confederates, who appear to have gained a lot of support by expressing extreme racist views. These are dangerous tactics that may well recoil on his own head. He should remember that the success of the new federation depends much more upon dispelling the Africans' fears than upon winning over a handful of white voters.

The Sudan Elections

THE words 'Misr' (Egypt) and 'Brittania' were bandied about and there was much brandishing of fists and sticks, which, however, did not seem to denote ill-humour. This single sentence from the report of *The Times* special correspondent who is covering the present Sudan election sums up one important aspect of the scene. The election is supposed to produce a Chamber that will tide the country over three years of "self-government," as a step towards a more important vote on "self-determination," and therefore to produce only a temporary and ephemeral result. In fact, as the quotation shows, the first vote has come to be a decision little short of a vote about self-determination. As the parties have shaped, the voter this month is called on to plump either for a link with Egypt (of a nature which none of its advocates has dared to specify) or for complete independence (labelled by its adversaries as "the wish of Britain").

The quotation illustrates, also, how primitive are large parts of an electorate that is suddenly called upon to make, in a way altogether novel to it, a choice that has nothing to do with the day to day problems of its life, such as the finding of food or the placating of ancestors. The press of the world is full of stories of a puzzled and volatile electorate. Raconteurs remind one another that in 1906, when rural Persia, then at a somewhat similar stage of remoteness from the centre of government, first elected a Majlis, many voters thought that a constitution was something to eat; in some districts of the Sudan it has been difficult to explain that it is otherwise. But goodwill is in the air; the Sudanese are a solid people and their better leaders are urging them to prove their mettle by steering clear of all alien influences. As the non-party leader of their Orthodox Khatmia sect proclaimed to them this week:

Elections are the real test of a people. Public opinion throughout the world is now watching what we are doing. Let us show we are a nation whose religion and morals serve as safeguards against slipping and temptation.

Maybe thousands of tribal voters will fall woefully short of grasping this conception; maybe the regime they will experience as the result of their vote will not come near

the Sanders-of-the-River standards to which they have been accustomed by their British administrators. But, before deploring the whole scene, it is pertinent to ask what other course was possible in a world situation that necessitated the agreement and co-operation of Egypt?

French Budgetary Labours

LAST week M. Faure, the Finance Minister, laid a draft budget for 1954 before the French National Assembly and urged the deputies to vote its provisions quickly, before the end of the year. There is little hope of the Assembly's following M. Faure's advice and the deputies are expected to resort to the old parliamentary trick of claiming cuts in revenue without any corresponding reduction in expenditure. After all the recent talk of the need for a French "new deal," however, the draft, even in its present form, is not impressive. True, for the first time since the war the upward trend of public expenditure is arrested and estimated total expenditure is brought down to Frs. 3,732,000 million. But this is due exclusively to a cut in defence expenditure—down to Frs. 1,110,000 million—facilitated by a windfall of American dollars for Indo-China. Estimated civilian expenditure is still rising and the over-all deficit should reach Frs. 650,000 million in 1954.

The "budgetary" deficit should be less than half that amount, but this is merely the result of a change in the method of accounting. Part of the burden of investment is removed from the budget proper to "treasury charges." Since total investment is to be maintained at the present level, and even stepped up, no shifting from above to below the line will bring important benefits until the investing propensity of French savers has been greatly increased. In Paris, fears have been expressed that this is but a first step towards a cut in total investment—a move which would be particularly dangerous at this stage, when a new "Monnet Plan" is being drawn up and agriculture is in great need of modernisation. The government denies such intentions and claims that, on the contrary, reduced taxation of investment will encourage the flow of capital. This should be brought about by fiscal reform and a draft has already been laid before the Assembly. Yet this draft is only a shadow of the original scheme truncated at the governmental stage; it will now be mutilated by an Assembly that knows M. Laniel's days as caretaker are numbered.

Cleaner Food

THE Food and Drugs Amendment Bill is the Government's answer to the general anxiety about the great increase in food poisoning that has taken place since catering establishments and pre-cooked food began to play such a large part in the nation's eating. It gives the Minister of Food and the Secretary of State for Scotland much wider and more flexible powers than they have had hitherto to prevent the sale and manufacture of food that is

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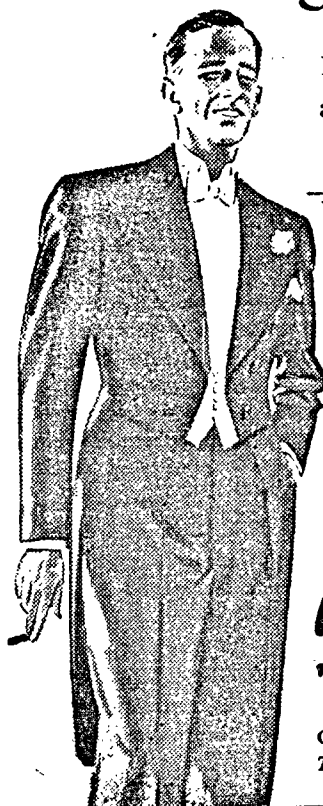
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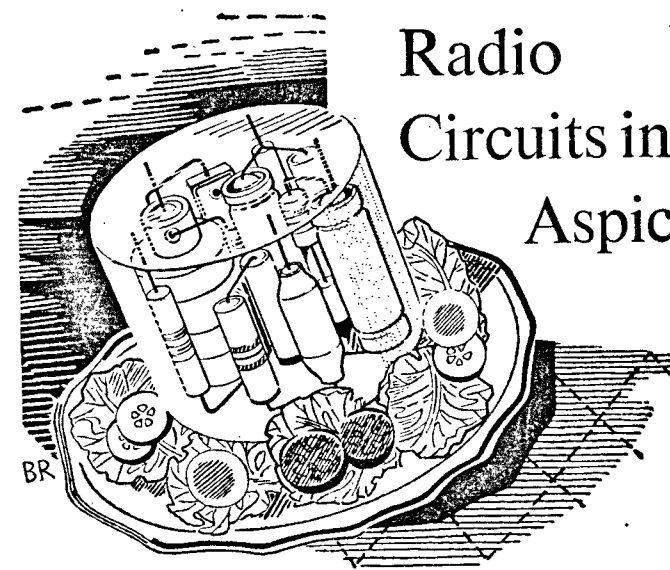


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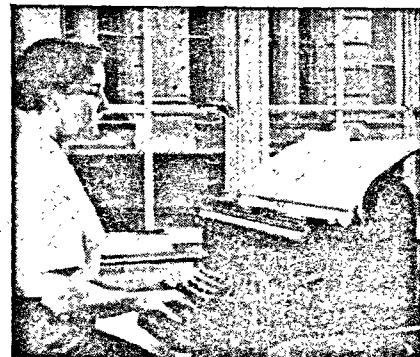
THE CASE OF THE SATISFIED SALESMEN



Marmite, in its handy wide-topped jar, is now a familiar sight in grocers' shops—and in kitchens—up and down the country. The Marmite salesmen mightn't have done such a fine job without efficient backing from headquarters...

Customers could never complain of a bottleneck (nor could the head office!)

AT THE WAR'S END, the Marmite Food Extract Co. Ltd. were faced with a problem—and an opportunity. For years, supplies of Marmite had been far below demand. Raw materials were short, and most of the output went to the Armed Services. Then the situation changed. It was time for aggressive selling. The sales-force was ready; new



Seen operating a Burroughs Typewriter Accounting Machine in the offices of the Marmite Food Extract Co. Ltd. is Miss Doris Miller. This is one of the fast and versatile machines that are helping to keep the salesmen (and their customers) satisfied.

territories could be opened up; new demand could be created and satisfied.

But, in support of this sales campaign, could the office departments cope with the great volume of figuring work involved? To plan its production in advance, the company realized that it must have detailed statistics on the selling operation—sales analyses by travellers, by areas, and by class of outlet, would have to be prepared day by day.

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injurious to health. It also increases the penalties for breaches of the regulations.

The most important section concerns food hygiene. This gives the Ministers power, as they think fit and as they specify by order, to lay down, for all kinds of premises where food is sold, standards governing construction, equipment, cleanliness, the manufacture of equipment and the use of materials. They may forbid the use of an ingredient not merely because it is immediately harmful, but because there is reason to think—as there might be, say, of agene in bread—that it is harmful in the long run. The Act of 1938 did lay down broad standards of hygiene for places where food was sold, but these were mainly concerned with ensuring that washing facilities were suitably near and drains suitably remote. The Bill lays down no general standard for all establishments, but would enable the Ministers to prescribe separate ones for different kinds of premises. They could even, if they wished, lay down standards for street barrows. The duty of enforcing the regulations will be left with local authorities. With such an extension of the premises to be inspected they will certainly need a far larger inspectorate.

Another important power contained in the Bill is the power to order that various kinds of food establishment, as the Ministers choose to designate them, should be registered with the local authorities. Under the Act of 1938 only the manufacturers of sausages, ice-cream and preserved foods had to be registered; while dairies, milk bars and so on were dealt with under a separate order of 1950. Under the Bill, registration can be refused to an unsuitable applicant or revoked if the regulations are thought to have been broken. Although there will be a right of appeal, this extension of administrative discretion into yet another field will have to be carefully watched. If the new powers are used only for the sake of cleaner food, they are welcome; but they may be open to arbitrary abuse.

Kultur Politik

THE Government is at present considering the future of the British Council, which last year cost the nation just over £2,500,000. The council's report for 1952-53, published last week, accordingly takes care to make out a strong case against the critics who think that all the money disbursed from Davies Street is being thrown away, as well as against those who instinctively oppose government propaganda at home and abroad.

The council has for some years been fighting a rearguard action against increased costs and reduced grants. Big reductions were certainly desirable, but they cannot go on indefinitely. There comes a point at which less money means more waste, because the operation is on too small a scale to be effective. Probably there is now no middle way of worthwhile economising. Either the council should be scrapped or many of its activities should be preserved from further cuts. This year expenditure has been held steady while a committee under the chairmanship of Lord Drogheda examined information policy in general; its recommendations are now awaiting Cabinet discussion. Meanwhile, with a few minor exceptions, such as the withdrawal from Persia and China and the setting up of

an office in Japan, a certain rigidity has necessarily overtaken the council's activities.

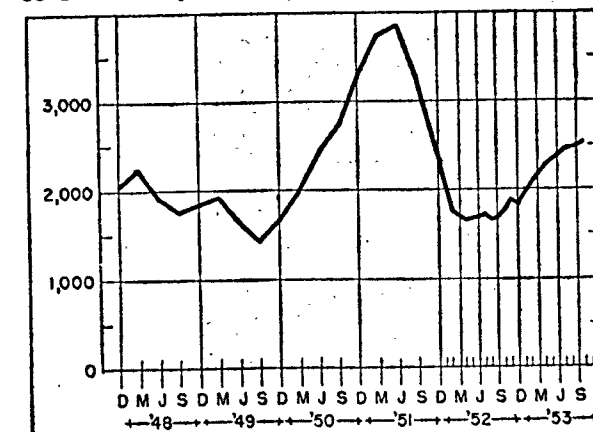
The major difficulty about cultural propaganda is that its results, if any, take so long to show; any quick change of emphasis from one part of the world to another inevitably wastes the results of much previous work. But if the British Council is to be justified, as it should be, by its contribution to the cold war it is hard to see why the little money that is available should be spread thinly all over the world, chiefly in order to keep up appearances. If the council can win more friends for Britain in those areas where loyalties are still undecided the effort will be well worth the cost; it might, indeed, be worth more money, if that were obtained by sacrificing the council's less important work elsewhere, notably in Europe.

Ireland's Persisting Inflation

THE latest report of the Central Bank of Ireland records a notable improvement in the trading position of the Republic. The deficit in the balance of payments on current account was reduced from £62 million in 1951 to £9 million in 1952. Net invisible income is said to have remained unchanged. The recovery came from a fall in imports, which were exceptionally heavy in 1951, and, more markedly, from a substantial increase in the volume of exports. This increase was mainly in agricultural products and in manufactures with a high agricultural content. The report adds that the deficit in the balance of payments for 1953 may not be any greater than in 1952. This suggestion, writes our Dublin correspondent, seems well-founded, since cattle prices have been maintained by the favourable weather of recent weeks. Current savings are estimated to have been £30 million in 1952 whereas there was a small dissaving in 1951; and there are signs that savings have continued at a comparable level in 1953.

These signs of improvement, especially in the volume of exports, are thoroughly welcome. But, as the bank adds, they are largely offset by the results of state policy in other fields. It argues that the signs of inflation are still present:

GOLD AND DOLLAR RESERVES US DOLLARS [MILLION]



the indices of wholesale prices, the cost of living, minimum agricultural wages and industrial earnings have all increased. The expenditure of the state and of local authorities continues to rise and budgetary deficits are being financed by borrowing. Moreover, the capital market has been almost monopolised by public borrowing, much of which is for purposes that may be socially commendable but cannot be expected to increase output or to provide permanent employment. The bank's comments conclude with a warning that the republic is using its foreign assets on objects of domestic expenditure which will not provide any net addition to real wealth or increase national income. A continuation of this process will weaken the capacity of the country to maintain its population at a higher standard of living than is justified by the present level and nature of output.

These observations of the central bank may induce both sides in the *Dail* to examine the truth of the assumptions that are freely made about the proper aim and scale of domestic expenditure. There is no doubt that investment is necessary, above all in agriculture which remains the prior, indeed almost the only, exporting industry. State investment has, however, become entangled with making good arrears in housing, electricity supply and the like. Capital and labour have thus been attracted to the cities and into forms of activity that cannot create exports but swell the demand for imports. A great deal of employment has therefore become directly dependent on transient projects that are financed out of public funds. It seems as if the *vis medicatrix naturae* is at work in agriculture, which although deprived of state investment is free from direct taxation; but its effects elsewhere are offset by the devotion of politicians to a concept of domestic investment that carries implications they do not clearly understand.

Poland Falls in Line

THE new economic policy launched in Moscow has by now become a blueprint for all the satellites. Poland, the latest to adapt itself, has finally fitted into the new pattern. This was proclaimed at a meeting of the Central Committee of the ruling United Workers (Communist) Party which was held at the end of last month. Reports of the proceedings reveal that it was then decided to convene a Party congress for next January, after an interval of four years. In the theses prepared for this congress and in Bierut's report to the Central Committee great pains were taken to echo faithfully the remedies prescribed recently in the Soviet Union. Some passages sound as if they were literally taken out of Malenkov's or Khrushchev's speeches. Satellite planners remind one of medical students carefully copying the actions and even the mannerisms of their professor. The attitude, however, is not as grotesque as might appear. Throughout the Soviet bloc the diagnosis is everywhere the same: a bottleneck pace of industrialisation has led to the neglect of agriculture and consumer goods' industries, and something must now be done to restore the balance.

Poland enjoys one advantage in this shift towards a milder policy. The collectivisation drive was never very ruthless, and even now collective farms account for scarcely more

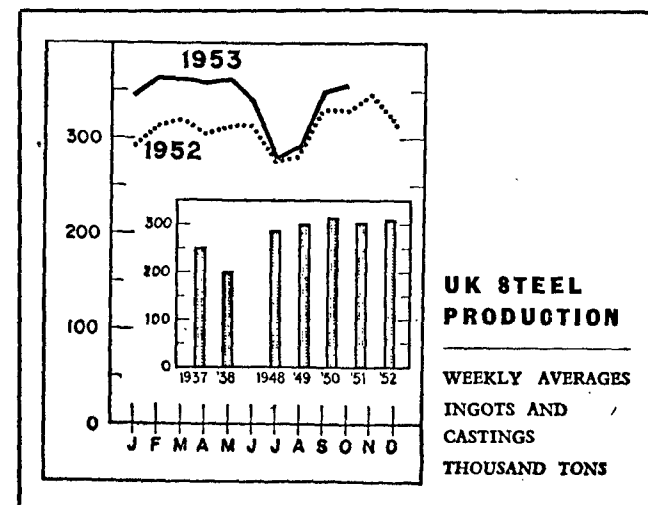
than 6 per cent of total agricultural land. But in other respects Poland, too, is in need of a potent medicine. While industrial production has apparently more than doubled since 1949, agricultural output has risen by only 9 per cent. Output of light industry is not sufficient to satisfy the demand of urban consumers and to attract supplies from the countryside. To remedy this situation it has been decided to cut the rate of investment, and its share in the national income should fall in the next two years from one quarter to one fifth. A greater proportion of this investment should be channelled into agriculture and light industry.

Will these economic changes be followed by a reshuffle in the leadership? For the new line smacks of the "Gomulka deviation." Gomulka, the former general secretary of the party, was disgraced and arrested but never brought into the dock; but he is unlikely now to be rehabilitated. Whether the forthcoming congress will do more than revise the statutes and elect new leading bodies of the party remains to be seen.

Adenauer and Ollenhauer

IT is an encouraging sign that Dr Adenauer should have had recently a long conversation with the Social Democrat leader, Herr Ollenhauer. In Herr Schumacher's day such meetings were less easily and less often arranged, but his successor shows little sign—especially since the sharp lesson of the election—that he wishes to revive the passionate partisanship of that time. Indeed, neither nationalism nor Marxism have real appeal for the West German voter now, whatever might be the case in less prosperous circumstances.

If the victorious Chancellor and a reasonable Opposition leader could now sow the seeds of a bi-partisan approach to the basic objectives of German foreign policy, much good might later result. Again and again people in Europe are heard saying, "Yes, Adenauer is a good enough European and a reasonable, if hard, bargainer. But who comes afterwards?" If future German pledges of co-operation with Western Europe and the Atlantic alliance, and mor-



especially German assurances that frontiers will not be changed by force, were known to command the loyalty of both the principal parties in the Bundestag, confidence in their value would quickly grow. It is not for the foreign observer to judge who should take the initiative in this respect; but there seems to be substance in the Social-Democrats' complaint that they are not met half way by the Chancellor and his colleagues.

Any such development would not settle doubts about the attitude of the raucous parties of the Right that have helped to win Hamburg for the government coalition, and that have been generously treated in the Chancellor's cabinet-making. But it is possible—one can say no more—that the trend in West German politics, given a continuation of peace and prosperity, is towards a two-party system. If it were come to anything, then the risk of a German political party adopting a nationalist—what the Russians would call a *revanchiste*—platform would be reduced. Party politicians in Bonn are, perhaps, not aware how closely fair and foul signs are watched for from abroad.

Spain and Nato

IS the Spanish Civil War at last losing its sting? The recent agreement on bases between Washington and Madrid has caused far less of an outcry in Europe than might have been expected; indeed, it looks as though those who angrily denounced a few years ago any idea of admitting Spain to the Atlantic alliance are now prepared to turn a blind eye on a deal with one Atlantic partner in which they have no part, but which has much the same effect as taking Spain into Nato. The attitude has practical advantages, even if it is not free of hypocrisy; and it betokens a change in mood.

Franco has been a dictator with a difference. The difference is that the Civil War, from which he emerged victorious if not exactly glorious, had stirred European emotions more violently than anything that happened between the wars. So there was no scurry to recognise and forget as there was to be later for Mao; and while other authorities like Salazar and Perón were tolerated, this feeling was not allowed to extend to Spain. If the mood is now different, two causes in particular may be discerned. The first is time, time during which Europe has been in its turn convulsed, while in Spain little has changed. The second has been the admission to grace of the left-wing dictator Tito. Those keenest on keeping Spain ostracised have found their arguments turning brittle; *mutatis facile mutandis* they sound inappropriate at Brione; but it is difficult to snipe at Franco without grazing Tito. Moreover, the Left has been able to vent on the United States much spleen that would otherwise have assailed Franco.

At this point one of two things—or even both—may happen. It may become the fashion to whitewash Franco and all his ways; for this there is nothing at all to be said. Alternatively, the time may have come, certainly among younger people, for a sober appraisal of the history of Spain between the wars. This would still not be easy; but, until it has been done, Spain will remain one of those dangerous subjects which cannot be approached without strong prejudice.

The Right to Uproar

ONE does not want to be stuffy about Guy Fawkes Night. Like the ancient Saturnalia and the institution of Lords of Misrule, it offers a salutary safety valve for natural animal spirits normally constrained by the oppressive social decencies; and those citizens whose own animal spirits have regrettably ceased, with the passage of years, to need such a safety valve may reasonably substitute an annual exercise of tolerance towards thunderflashes, rough music, and irregular traffic blocks. But enough is enough, and last week's near-riot by the students of London University was more than enough. They had, it is true, a grievance—the last-minute cancellation by Authority of celebrations, the plans for which had been properly submitted and duly approved—and Authority may well have been infuriatingly maladroit. Maladroitness on the part of Authority, however, does not confer a right to uproar. It is not an umbrella excuse for idiotic displays of mass hooliganism. No doubt it all seemed wonderful at the time; few sensations, after all, are more exhilarating than those of mob unity. In the chilly retrospect of the morning, at Bow Street and elsewhere, its manifestations take on the less attractive appearance of a quite unfunny juvenile delinquency.

Wage Claims

It is with sincere regret and deep disappointment that we have witnessed the proceedings of the operatives in the manufacturing districts during the last few weeks or months. . . . One fact, indeed, showed a decided and most significant advance upon the follies and crimes of former times. At the commencement of the strike notice was given by the committee of the turn-outs that the funds of that body would not be employed in the defence of artisans guilty of acts of violence or disturbance. . . . With this single exception, the conduct of the operatives has presented no features on which we can dwell with satisfaction. We do not, of course, blame them for taking advantage of prosperous trade and a relieved labour market to demand an advance of wages. On the contrary, there can be no doubt that they were entitled to such an advance, that profits could afford it, and that they were quite right to ask it. So much was conceded on all hands: many masters volunteered an advance; nearly all gave it, to a greater or less amount, on the first application. Whether the rise of 10 per cent, which is now the matter in dispute, be or be not too much—whether the scarcity of hands justifies it—whether the state of the goods, yarn and coal market can bear it—are questions on which we can pronounce no judgment. . . . But there can be no doubt, we think . . . that the men are decidedly wrong—decidedly blameable and foolish—in two points. . . . In the first place, they are at issue in most cases on the merest fraction of a coin. . . . Secondly—and this is by far the worst feature of the case—on this occasion, as on all previous ones, the operatives have not managed their own business, but have submitted to the dictation of irresponsible self-elected leaders. In place of settling their own affairs with their own employers . . . they have preferred acting in combination and acting through a body which had no concern in the matter, and which their employers could not recognise.

The Economist

November 12, 1853

Letters to the Editor

Economics of the Super Grid

SIR—The faint damns with which you praise "this vast and imaginative investment," in your issue of October 24th, are ventured against a single aspect of its purpose; but the first and most distinct function of the Super Grid is to provide interconnection capacity for the pooling of generating plant. Detailed studies have made it clear that a substantial increase in this capacity is necessary to keep the overall costs of generation and transmission to a minimum; indeed, they show that without such interconnection the cost of the additional generating plant which would have to be installed, to give the same security, would be several times the cost of the interconnection system.

The second function of the new system to which so much of your article is devoted—the provision of bulk transmission to reduce transport costs of coal—comes into quite a different category. The long-term estimates depend on a host of factors, including the future costs of coal, transport charges and plant; the location of new generating stations, the thermal efficiency and the incidence of demand. No one could be dogmatic on the movement of these factors and their relative interplay over the next 20 years. Although the BEA experts took the most probable trend as a working hypothesis for the long-term picture, this played little part in the practical design of the system to meet requirements in 1960. In fact, the additional capacity now being provided for bulk transmission is relatively small, and the range of error in the estimates is hardly likely to shake the foundation of the scheme even if the towers "are reaching 130 feet high"!

Although, like you, some of our American critics paid scant heed to the interconnection function and directed most of their comment to bulk transmission, it is not without significance that recent references in the American press have pointed out the economic merits of electrical transmission for transferring large blocks of energy.

Another American comment—the improvement of power factor—is a debatable subject. Your statement of the BEA case, otherwise admirable, is sadly marred by confusion with load factor. On the value of a high-load factor there can be no two opinions.

And so to your last portentous dictum—"the economics... are still in doubt." Is any large-scale enterprise entirely free from risk? If absolute security against economic uncertainty is to be an essential prerequisite of progressive development, whether in private or national affairs,

then let British industry put up its shutters without more ado. Let us forget all about the second Elizabethan age and return to the rustic peace of an agrarian society where neither electrical engineers nor economists shall disturb our bucolic slumbers.

What should the BEA do? Turn a blind eye to posterity and continue to patch and bolster year by year the 132kV system designed 25 years ago—or look ahead and take the plunge, perhaps just one jump ahead of other progressive nations of the world?—Yours faithfully,

D. P. SAYERS

British Electricity Authority,
London, S.E.1

[This welcome contribution to the debate on the Super Grid enables us to apologise for an editorial blind spot in the original article, as a result of which "power factor" and "load factor" were briefly but thoroughly confused.—EDITOR.]

Liberty and Lunacy

SIR—The article in your issue of October 31st contains three points which may be worthy of further consideration.

1. The statement that "The first Act dealing with mental defect was not passed until 1913" is not wholly accurate. There was a permissive Idiots Act in 1886, and mental defectives were specifically included in the scope of the Lunacy Acts of 1845 and 1890. Thus treatment for mental defectives did exist before 1913, though it was not until that date that a workable definition of mental defect was evolved.

2. You state that "there is no provision for voluntary admission to an institution for mental defectives." This is true; but it would seem that a mental defective is by definition unable to express volition in this matter.

3. Any extension of the voluntary status of mental patients is generally to be welcomed. Quite apart from considerations of humanity, it separates the concept of mental treatment from that of compulsory detention and loss of civil liberties; but the figures do not tell the whole story. In a recent survey carried out at this university, it was found that of the voluntary patients discharged from a particular hospital in the first quarter of this year, over half had received treatment in a mental hospital more than once; 11 per cent had been in hospital for less than 14 days, and had left before receiving treatment, most of them against medical advice; and 18 per cent had again entered a mental hospital by August, in most cases staying again only a few days. This problem of the "ins and outs," who by exercising their statu-

tory right to discharge at 72 hours' notice place a great strain on the limited medical and clerical resources of mental hospitals, is one which may well occupy the attention of the projected Royal Commission.—Yours faithfully,

KATHLEEN JONES
University of Manchester

[Miss Jones's second point needs qualifying. Mental defectives sometimes develop a mental illness. Many of them, if over the age of 16, are accepted as voluntary patients in mental hospitals, and are therefore regarded as able to express volition. Children under 16 can be accepted as voluntary patients in hospitals on their parents' application, but not in institutions for defectives.—EDITOR.]

★

SIR—May I be allowed to make some comments to supplement your article in your issue of October 31st?

1. It is far too easy for people to be "certified" in present circumstances. In accordance with Section 14 (as amended by the National Health Service Act, 1946) and Section 16 of the Lunacy Act, this significant procedure, which involves deprivation of both liberty and property and carries also the stigma which you stress, can be put through by a single doctor after only a few hours' observation of a patient.

2. There appears, as you say, to be insufficient awareness of the relatives' right of discharge under Section 72 of the Act. Mental hospital authorities do nothing to encourage this awareness.

3. There is no effective authority to whom a certified person (certainly one certified under the above procedure) can represent his case either at the time of certification or subsequently. The justice who countersigns the certificate allows his signature, in the circumstances of today, to become a mere formality. The same can be said of the Board of Control who have tended to become just another government department with a natural tendency to support authority. The certified person thus suffers a total loss of civic rights of all kinds.

4. With the ease of certification that has already been described, it is obvious that there is a danger of the "voluntary patient" system becoming a mere façade used for the sake of improving the look of the hospital returns. To be a voluntary patient has, in fact, little significance when, at any time between the time of giving notice to leave and actually leaving, a person can be certified so easily.

You indicate in your article the helpfulness of a preliminary period of observation in a general hospital as a method of avoiding the unfortunate position I have outlined in my first paragraph. Other steps would be stricter control over the notification to relatives of their rights of discharge, and a more simply worded notice explaining these rights to replace the present formal and semi-unintelligible one. Voluntary patients, too, need the assurance that their status is a real one.—Yours faithfully,

DONALD MCL. JOHNSON
Sutton, Surrey



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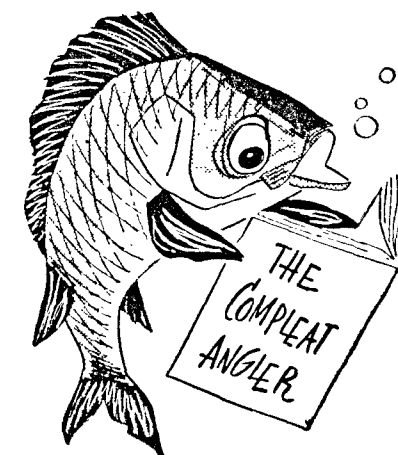
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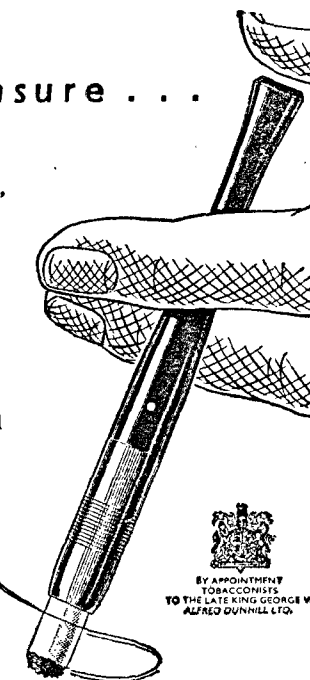
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Books & Publications

"Short of War"

THE WORLD CRISIS AND AMERICAN FOREIGN POLICY: *The Undeclared War 1940-1941.*

By William L. Langer and S. Everett Gleason.

New York: Harper Bros. London: The Royal Institute of International Affairs. 963 pages. 60s.

WHEN the first part of this study appeared a year and a half ago it was widely acclaimed as a masterly exercise in the writing of recent diplomatic history. The second volume will in no respect disappoint the readers of the first. In nearly a thousand pages its authors record with a serene, but by no means excessive, amplitude the sequence of events that separates the destroyer-bases deal from Pearl Harbour. If for these fifteen months they require almost 200 more pages than they devoted to the two years 1939-1940 no one who recalls the more extensive landscape of those bitter months will grudge the authors the extra canvas on which to paint it. This is the period that sees the war extended to the Volga and the Euphrates, which witnesses the ding-dong battle for the Middle East, the overrunning of the Balkans, the anxious intriguing at Vichy and Madrid, the long wrestling match of the North Atlantic. On the other side of the world the mounting ambitions of Japan strain at the last frail limitations that American diplomacy can provide. Through it all runs what these authors well describe as the "anxiety, perplexity and vacillation" of an American public opinion that has abandoned neutrality but cannot nerve itself to embrace belligerency.

To narrate this is virtually to write world history for the period covered, and that, in fact, is what the authors have done. This is a world diplomatic history, as seen from Washington and, in particular, from the windows of the State Department, for this volume like its predecessor has, for the core of its source material, the reports of American ambassadors overseas and the internal memoranda of the department. Two deficiencies, however, which this treatment left in Volume I have largely been made good in Volume II. Thanks to the Hopkins papers we can here follow much more clearly the President's curiously charted course—even if we cannot always understand it. Furthermore the determinant role of public opinion is much better presented in this volume than in the last. Even now perhaps it is not the authors' forte—there is rather too much uncritical quot-

ing of public opinion polls and still a much too cursory analysis of Congress—but at least it is prominently in the picture, a *causa causans* that the reader must recognise even when he cannot fully understand.

Although based on original sources this volume cannot be expected, in fields that have been so thoroughly ploughed, to come up with many new revelations. What it does continually offer to the attentive reader is something rarer—clarification. Thus Professor Langer's relation of United States policy towards Vichy, while it may not always persuade (since there are value judgments involved beyond those which he appears to appreciate) at least makes it seem consistent and comprehensible. There is a masterly account of the inception and development of Anglo-American military and naval strategy, which shows how from the beginning, contrary to what might so reasonably have been imagined, the "Atlantic Firsters" had their way, but also how the seeds of later disagreements over cross-Channel invasion versus Mediterranean "diversions" had been planted as early as January, 1941. Again, in the pages that describe the early differences of emphasis over the handling of Russia there is much that is depressingly pertinent in 1953; equally significant of then and now is the dissent which will rise to most British readers' lips when they read on page 819 the authors' implied endorsement of the Hearst-McCormick criticism of Lend-Lease aid to the Russians in 1941.

It would be misleading, however, to stress the disagreements recorded here or the critical judgments expressed. If this narrative is anything it is a triumphant vindication of Anglo-American co-operation in an extraordinarily difficult and delicate period, and if the authors are occasionally critical of Britain they far more often carry their generosity beyond the mere limits of justice. It is for American shortcomings (e.g., the campaign promises of 1940) that their harshest strictures are reserved, and when at last the hesitations of the Undeclared War are resolved in the thunderclaps of Pearl Harbour they conclude that it was not only the swift disaster of that attack which explains "the sobriety and even the grimness" of America's warring.

The steadfastness and value of all those warring peoples who were presently to become the United Nations had afforded the American democracy a unique opportunity, by democratic processes, to appraise and at long last to respond to the appeal for leadership in the struggle.

Mountain Hero

THE ASCENT OF EVEREST.

By John Hunt.

Hodder and Stoughton. 300 pages. 25s.

IT has often been observed that mountains and deserts have one thing at least in common—they appear to impose on those who write about them an English style excellent beyond the norm. This is probably putting the cart before the horse. Thousands of bad writers have written about both. Writers about the deserts have not all been Doughties, Lawrences and Starks, or about mountains Stephens, Youngs or Shiptons. But there is a grandeur about both subjects which causes us to reject immediately the writers unworthy of them.

But this is not the whole truth. In the past only wealthy educated gentlemen were able to write about such subjects at all—and other wealthy educated gentlemen were probably their only readers; and whether their books sold or not was a matter of indifference to them provided they were praised in the circles they respected. Certainly it was then unnecessary to produce a book of 100,000 words or so in a month and get it published in another three. "The Ascent of Everest" is such an excellent production that one cannot help wondering at the efficiency of both author and publisher; but one also cannot help lamenting that the book was thus prematurely born. We shall never read the masterpiece which a writer of Sir John Hunt's unexpected ability might have produced had he taken a year or more in the writing of it. But the needs of this generation of impecunious young adventurers demanded that their hard-pressed and unselfish leader should cash in on the nine days' wonder of the mob. And it must be supposed that Hunt has got to get back to his job—he will probably be very glad to get back to it.

But how wonderfully, within the limits he has imposed upon himself, he has done. It would be fulsome to suggest that he commands the imaginative and balanced style of Shipton or the quiet humour of Tilman or the poetic prose of Winthrop Young—to name only three of the living writers who have done so much to charm the leisure of the fire-side mountaineer. But the connoisseur of mountain literature will find himself fascinated by the steady upward path from the soldierly, efficient, somewhat pedestrian beginnings to the lyrical end of the story and the sudden descent into the utility of the appendices. He can watch the theme gripping the author, insisting on the style most suited to itself. There is no attempt to impose himself upon the reader. The hero of the book is Everest, not Hunt.

"The Ascent of Everest" is a classic foreordained by its theme. No later book can ever take its place. But perhaps one day emotion, remembered in a tranquillity greater than that which is now allowed to the leader, may evoke from another of the band of adventurers a more personal portrait of Everest and of the men who climbed her.

History Out of Scale

THE THIRTEENTH CENTURY, 1216-1307.

By Sir Maurice Powicke.
Oxford University Press. 829 pages. 30s.

IT is nineteen years since the first volumes of the Oxford History of England appeared. From the start, Professor Powicke was announced as the author of the volume on the reigns of Henry III and Edward I, and in the intervening years he has made himself still more the pre-eminent authority on this period than he was then. Even so long a wait is worth while, one has said to oneself in the intervening years, to get the gap so well filled as Sir Maurice will fill it.

But unfortunately the present book does not fill the gap in the series; it is written on an entirely different scale, one might almost say on a different plane, from the other volumes. The Oxford Histories are intended to be written, without any sacrifice of scholarship, for the general, or at least the non-specialist reader, and their particular feature has hitherto been that, in addition to the main political narrative, they take account of the development of literature and the arts and of the organisation of society. Sir Maurice Powicke, as he admits in his preface, has departed from the formula. Although his book is by more than 80 pages the longest of the series, it contains very little indeed that cannot be fitted within the political framework. This means that a long book is almost entirely taken up with the political and administrative narrative of ninety years—admittedly a very important century, but a very long time ago. To carry a story of such detail and of such unfamiliarity requires a prose style of great clarity and smoothness. Sir Maurice can write with great force, but his chapters do not have that obvious architecture that is needed if the reader is at all times to follow what the author is writing about. There is too much allusion, too many comparisons that involve skipping backwards and forwards over the years—in a word, there is too much erudition. The general reader is likely to find the book much more difficult—and therefore much less valuable for the particular purpose for which it was intended—than the other Oxford Histories.

To say that the book does not fit into its place in the series may be to say that it is the more valuable as a piece of original scholarship. The present reviewer must confess that his specialist knowledge of the period is too small to permit of more than a provisional judgment of that. Sir Maurice's own masterly study of the earlier of the two reigns, "King Henry III and the Lord Edward," is only six years old and the earlier chapters of the present book are clearly based upon it. But nearly two-thirds of this book is given to Edward I (that is, to thirty-five of the ninety years) and these chapters have something of the original authority for the son's reign that the earlier book had for the father's.

Here again, however, it is a pity that the attempt was made to force so much original scholarship within the framework of a series not intended for it. For the chapters on Edward I, long and detailed though they are, are still compressed in comparison with the scale on which Sir Maurice was writing in "King Henry III." Not only does one have the feeling of a quart in a pint pot, the quality of the brew is stronger than the customer ordered.

Nothing that has been written here is intended to detract from the massive qualities of Sir Maurice Powicke's scholarship, or from his achievement in replacing so much of what has hitherto been conjecture by ascertained fact. But it does seem to have been a mistake for his work to have been done in this form. It would have been better for Sir Maurice to have written another pair of scholarly volumes on the reign of Edward I to stand alongside his "Henry III," and for somebody else, less ambitiously but perhaps more effectively, to have filled the gap in the Oxford Histories.

Aristocratic Asses

THE REASON WHY.

By Cecil Woodham-Smith.
Constable. 293 pages. 15s.

"WE call Lucan the cautious ass and Cardigan the dangerous ass," wrote an aggrieved officer serving under them in the Crimea. It was the Earl of Lucan whose interpretation of an ambiguous order launched the Light Brigade on its fatal charge and it was his brother-in-law, the Earl of Cardigan, who executed the order, leading the cavalry as though on one of the parades he loved so well. Mrs Cecil Woodham-Smith approaches the story of the disastrous charge through the careers of the cautious ass and the dangerous ass.

Both men owed their commands to the system of purchasing commissions, which made the higher ranks of the army the virtual preserve of the aristocracy. Lord Lucan, who bought his cavalry regiment for £25,000, owned wide acres in Ireland. He there vainly attempted to revive his own manorial court and when reorganising his estates, chose the moment of the potato famine to evict his tenants wholesale. He retired from the army on half-pay to devote himself to these occupations, and his obsolete words of command proved totally incomprehensible when he was given a division on the outbreak of the Crimean War. To one of his officers it seemed "as if one of the cavalry commanders of the Thirty Years' War had risen from the grave to take command." Lord Cardigan, a dished Tory, reigned in splendour in Northamptonshire. His tyranny over his officers and savage treatment of his men made him the best-hated officer in the army and a frequent embarrassment to the government. He delighted in spending large sums on the uniform of his regiment and when it sailed for the Crimea, *The Times* commented that the "tightness of their cherry-coloured pants" was more suitable to female

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hussars in a ballet than to the needs of modern war. Both men epitomised the insensitive arrogance of the aristocracy in its extreme form and their unconcealed hatred for each other contributed much to the endless friction that divided and distracted the command in the Crimea.

Mrs Woodham-Smith has written an absorbing book which sparkles with satiric touches. Her narrative of the campaign is spirited, lucid and fair. Her biographical approach has not led her to find "the reason why" in terms of personalities alone. "Above all," she concludes, "the disaster was the fruit of the system under which the British Army was commanded." She brings out very clearly the dead weight of Wellington's prestige and influence. He lent his authority to defend the system of purchase, and it was his intervention that saved Cardigan from dismissal in 1841. Lord Raglan, Commander-in-Chief in the Crimean War, had served as Wellington's secretary for thirty-three years, and could not free himself from the habit of referring to the enemy as the French. "You and I," his second-in-command said, "are accustomed, when in any great difficulty, to ask ourselves how the Great Duke would have acted in similar circumstances." Mrs Woodham-Smith's book is not only a highly entertaining study of arrogant eccentricity and mental rigidity but also a valuable study of the army before it finally fell to the assaults of the reformers.

Dissecting Communist Rule

ANATOMY OF A SATELLITE.

By Dana Adams Schmidt.
Secker and Warburg. 512 pages. 30s.

OF all the countries that have been forced into the Soviet bloc, Czechoslovakia is, by history, tradition and outlook, most akin to the western democracies. The story, therefore, of what Communist rule now means to its people is of particular interest to the West. Mr Schmidt, who was correspondent for the *New York Times* in Prague from April, 1949, until he was forced to leave in a hurry just over a year later, has made an admirably thorough job of this survey. He discusses the impact of Communist rule on industrial worker, peasant and housewife. He analyses the apparatus of the police state. He describes in impressive detail the "sovietisation" of all intellectual and cultural life.

Perhaps the least satisfactory chapters are those dealing with industry and agriculture; here the analysis of trends and developments tends to be obscured by a too liberal scattering of percentages. Mr Schmidt prefaces his survey of Communist Czechoslovakia by a brief but vivid account of his own experiences in Prague and by a broad survey of Czechoslovak history from the ninth century saints, Cyril and Methodius, to the twentieth century Communist boss, Gottwald. He gives a very fair and

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comprehensive record of the events leading up to the Communist coup and of the fateful days from February 20 to 25, 1948.

When this book was finished Slansky was still in prison awaiting trial. Mr Schmidt is able to make out a good case for his belief that the fall of Slansky was basically the result of an experiment in controlled Titoism—in other words, that Gottwald, in collusion with Moscow, tried to allay the mounting popular discontent and passive resistance by throwing to the wolves all those Communist leaders most closely connected with Moscow. (That this gave Gottwald a chance of getting rid of a hated and dangerous rival was of course an added attraction.) Gottwald is now dead as well as Slansky; and his effort to retrieve the situation was clearly a failure. The passive resistance in the factory and on the farm, and the creeping demoralisation within the Party, are almost certainly greater now than at the time of Slansky's arrest. In Mr Schmidt's view there is encouraging evidence that the Czech nation will survive a Communist dictatorship just as it has already survived Nazi occupation and the religious fanaticism of the Hapsburgs.

The State of Geography

GEOGRAPHY IN THE TWENTIETH CENTURY.

Edited by Griffith Taylor.
Methuen. 661 pages. 35s.

THIS collection of papers by various authors is intended to review the present state of geography and its evolution, especially since 1900. In its first edition, which appeared in 1951, the book was rather roughly handled by some reviewers, who felt that the intention "to study the growth, fields, techniques, aims and trends of geography" was realised only in part, and who objected particularly to the five chapters in which the editor put forward his own rather controversial views. It was also suggested that a work with such comprehensive aims might well have found room for such major branches of the subject as cartography, historical geography, economic geography and regional geography.

It is interesting to see from the second edition how far these criticisms were accepted. The balance of the book is certainly improved by its two new papers. Mr W. W. Williams gives an authoritative brief account of the present state of cartography, especially of the various national surveys, while Mr F. Walker provides a glimpse of the exciting uses of air photographs in geographical studies. The publisher also says that minor errors in the original papers have been eliminated. Unfortunately, a comparison of the lists of such errors provided by reviewers of the original edition with the present volume proves this claim to be greatly exaggerated. As might be expected, the editor, in his preface to the new edition, stands firmly by his own distinctive ideas on racial and political geography, and on

the question of physical determinism in geography. Nobody will deny the interest of Professor Taylor's ideas, but it may be questioned whether, highly controversial as many of them are, they provide a true guide to the inquirer from outside the subject who wishes to understand the progress of geography in the first half of the twentieth century. This should not, however, conceal the value of most of the papers contributed to this book, which makes it well worth reading, and worth buying at a price that is reasonable for these times.

Germany and Its Satellites

THE SECRET FRONT.

By Wilhelm Hoettl.
Weidenfeld and Nicolson. 235 pages. 21s.

FOR seven years Wilhelm Hoettl was a member of the notorious SS Security Service, the *Sicherheitsdienst*, and his book tells an unusual story.

For the greater part of the time, Herr Hoettl served in Branch VI, the SD's intelligence service in central and south-eastern Europe. In 1944 he became its acting head, and the chapters that deal with Yugoslavia, Hungary and Italy are written from first-hand knowledge. In Yugoslavia Herr Hoettl recounts the history of the Germans' dealings not only with Pavelic, Nedic, and Mihailovic, but with Tito as well, a surprising if inconclusive episode. In Rome, Bucharest and Budapest, he records the last miserable months of the satellite regimes. All these chapters shed new light on the complicated politics of 1941-44 as they were seen from the German side of the fence.

The chapters dealing with the inner history of the Nazi regime in Germany are much less interesting. Herr Hoettl confirms the now generally accepted view of Himmler and throws into relief the far more intelligent Heydrich, one of the ablest and most evil figures of the Third Reich. But his view extends no further than the leadership of the SS. Hitler, Goebbels, Goering are little more than names, while Martin Bormann, Himmler's most dangerous rival in the last year of the war, is barely mentioned.

In his final chapter, however, Herr Hoettl succeeds in providing something that is too often missing from accounts of the Second World War. By collecting what little is known about the subsequent fate of the survivors of the Third Reich and its satellite regimes he gives a vivid reminder of the links between the events of today and what is, after all, only the day before yesterday.

The difficulty in judging such a book, of course, is to know how far the author is reliable. Where he was not himself a spectator of the events he describes, he rarely takes the trouble to name the sources of his information. Like others who have become fascinated by intelligence work, he is careless of the value of evidence. His book undoubtedly adds to the material for the political history of the Second World War, but the reader would be unwise to accept it without looking first for corroboration.

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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.

Back to Containment

Washington, D.C.

THE latest Russian note in the correspondence that began when the three Foreign Ministers met in July is presumed in Washington to be also the last in the series. Its very length, completeness and clarity suggest that it is intended to dispose, once and for all, of the possibility of holding any kind of important conference until the western powers have made such concessions as cannot, under present circumstances, be made. To an extent, therefore, the conditions demanded on each, but particularly on the Communist, side have made negotiations impossible for the present, and for the foreseeable future.

It is pointless to argue now whether the Soviet leaders might have been more flexible had they been brought to the conference table quickly after Stalin's death or had there been no riots in East Berlin to expose their nakedness. They are at present as inflexible as their predecessors ever were, if the view taken in Washington of their note is correct. And, although American policy-makers have for months discounted the chance of lessening tension by agreement, this proof that they were right is likely to have a profound effect on their outlook because American policy itself has, even if subconsciously, been based on a little wishful thinking. That cannot go on any longer and the time has come to get back to a sober and steadfast policy that can stand up for a number of years.

The argument that has been going on about the possibility of using a few men and a piece of atomic artillery to take the place of the old infantry division is likely, therefore, to assume even greater importance in the new circumstances. The advocates of the new weapons are behaving rather like those dieticians who proclaim that it will shortly be possible to provide all the vitamins and calories necessary for a balanced diet in two or three pills to be taken night and morning. Mr Dulles, on the other hand, is the family physician who points out that some bulk food—a little roughage, at least—is needed to keep the digestive system functioning properly. As the man responsible for foreign policy, he realises that the American armed forces must be seen as well as heard if they are to play an effective part in the alliance and to support his programmes. In the American view, the Soviet leaders have clearly decided that, as things are, no further advances can be made in Europe and that the present situation cannot be improved at the conference table. Therefore, they will accept the *status quo* and await a weakening of western

resolution. In the East, it seems, they think they can exploit their present advantage for some time to come. So it falls to the United States, as the leader of the western coalition, to ensure that the position is held in the West and stabilised in the East. There may be some irony in the spectacle of Mr Dulles, who once preached liberation, having to fight, presumably with the generals and admirals at his side, for enough strength to continue a programme of containment. But that is likely to be the goal of American policy for the next few years.

Even before the Russian note reached Washington there were signs that the hatches were being battened down. The speech on colonialism made in California by Mr Henry Byroade, the Assistant Secretary of State for Near Eastern, South Asian and African Affairs, was an example. Mr Byroade began with the assumption, in the first paragraph, that "our principal concern is the threat of Soviet aggression" and proceeded logically to the conclusion that "we cannot ignore the legitimate economic interests which European nations possess in certain dependent territories" because the European nations "will probably represent, for many years to come, the major source of free world defensive power outside our own." The suggestion that "there is such a thing as premature independence" has never been made openly before, though the idea has been implicit in many American actions, particularly in the United Nations, in the last few years.

There is, indeed, a danger of American opinion, both official and unofficial, swinging too far and becoming too impatient on this subject as it has on others that are considered to be subsidiary to the main problem. There has probably been too little comprehension of the attitudes of India, Pakistan and Ceylon—which have been so similar to those of the United States during its early years—just as there has been too little understanding of the depth of the suspicions that divide France and Germany or Italy and Yugoslavia.

Mr Byroade spoke, more in sorrow than in bitterness, perhaps, of the paradox in the fact that the upsurge for national self-determination among the dependent peoples has come at the moment when western nations are coming to recognise that self-sufficiency is a myth. But he has only to listen to some of the voices in Congress to realise

that the "myth" is still very much alive among those who, as the President suggested last week, may want to go back to 1892 and who are determined to pass Senator Bricker's constitutional amendment, which is designed to save the Senate from the danger of ever nodding momentarily in its own defence of self-sufficiency. In his recent book Mr Clarence Randall, the chairman of the President's Commission on Foreign Economic Policy, said, when discussing the American attitude to such projects as the European Defence Community and the Schuman Plan, that

if by our pressures we had any part whatsoever in causing other nations to surrender sovereignty, we have done an immoral thing, for the very obvious reason that we would not surrender sovereignty ourselves.

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It seems possible that the lines between East and West are to be stabilised, at Russian insistence, for some time to come; and the development of the North Atlantic alliance has made containment an actual policy rather than a goal to be attained. But military alliances need continual refreshing or they tend to disintegrate. And the Russians have one great advantage over the West—they can count on the subservience of the countries behind the Iron Curtain. It is a perpetual source of irritation to many of the more vocal members of Congress that the allies of the United States have not also become, thanks to various aid programmes, equally subservient "voluntary satellites."

These men, and others throughout the country who echo their sentiments, continually impede the State Department in its attempts to pick its way carefully through the minefields of foreign affairs. But the department itself is often inclined to take a too simplified view of some international problems. It shows, for instance, a tendency to believe that, once the Trieste issue is settled, Italy and Yugoslavia will be able to concentrate wholeheartedly on the defence of southern Europe and that the ratification of the European Defence Community and the solution of the Saar problem will produce Franco-German solidarity in the face of the common enemy. The State Department cannot really understand, just as it cannot understand the neutralism of the new nations in the East, how any country can permit itself to be sidetracked at this moment by comparative irrelevancies.

The American policy of the future must, therefore, if it is to be as successful in keeping the western alliance together in boredom as it was in building it in crisis, be founded on patience and a recognition of the difficulties, to which lip-service is always paid in public utterances, of maintaining a common policy among democracies. And somehow the Secretary of State will have to persuade Congress—and particularly the members of his own party in Congress—to accept a joint stand and even, perhaps, some day to surrender a little sovereignty in the cause. It is therefore unfortunate that the results of the recent elections should, apparently, have strengthened the hand of the Congressional reactionaries who run the committees with an iron hand and want none of the policies to which President Eisenhower and Mr Dulles are committed. Even in a country where party discipline does not exist, an almost mathematically exact balance in both Houses of Congress discourages a firm, stable and undramatic policy. And that is the policy needed by the United States today.

American Notes

Brownell's Bombshell

THE announcement of the Attorney General, Mr Brownell, that, according to evidence in his department's files, Mr Truman in his first year of office promoted a "Russian spy" over the protests of the Federal Bureau of Investigation has provided an even bigger sensation than the Alger Hiss case. Mr Truman himself has been subpoenaed to appear before the Un-American Activities Committee of the House of Representatives; so have Mr Justice Clark, once Mr Truman's Attorney-General, and Mr Byrnes, once Mr Truman's Secretary of State and now his most spiteful enemy. However, the Committee may have second thoughts now that the President has said that he himself would not have issued a subpoena. Furthermore, Mr Truman may refuse to answer questions which it can be argued infringe the constitutional separation of powers, and Mr Byrnes is standing on his dignity as Governor of South Carolina and insisting that the Committee come to him.

Much more may become known, nevertheless, while *The Economist* is in the press. The President, at his most stormy press conference, has already been forced to admit that, although he was consulted, he left it entirely to Mr Brownell to decide in what way so grave a charge should be made public. It seems to turn, however, on two questions: did Mr Truman receive the FBI reports on Harry Dexter White before he appointed him American executive director on the International Monetary Fund, and did the reports contain substantial proof of Mr White's disloyalty? Mr Byrnes tells a circumstantial story of the President and other prominent officials receiving the second and fuller report just as the Senate was acting on Mr White's confirmation in February, 1946, and of the President deciding not to take the embarrassing step of terminating the appointment of a man who had already spent twelve years in the government service. Mr White served another year and then resigned, with a rather fulsome message of thanks from Mr Truman. It was not until 1948 that Miss Elizabeth Bentley's allegations that he had supplied her with secret information became public and began to be taken seriously, although the FBI heard her story in 1945. Mr Whittaker Chambers's evidence also came just before Mr White's death.

Mr Brownell, whom the Democrats would dearly love to question, has not revealed what was in the early FBI reports and may never do so, on the ground that it would imperil sources of information. But a grand jury, which saw the reports in 1947, found insufficient evidence for an indictment.

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Whatever the facts are—and it is unfortunate that so many of the men who could have thrown light on them are dead—it can only be deplored that the President allowed Mr Brownell to make party capital out of so serious a charge before holding a judicial inquiry. The Administration

itself has not hitherto used Senator McCarthy's methods of blasting reputations without a fair trial. There may be other causes for regret. The partisan handling of the case may well alienate the Democratic votes the President will need next year if his programme of legislation is enacted. And the charge that the White House "overruled" the FBI in 1946 (though an agency whose mission has at all times been restricted to the provision of facts and does not extend to the making of recommendations can hardly be said to have been overruled) may well have the effect of encouraging Congressional committees to press their own loyalty investigations, rather than relinquish them to the Administration, as the President would prefer.

Silver Lining in the West

MR BROWNELL'S spy story is being given credit for the ray of Californian sunshine that has penetrated the post-election clouds which enveloped Republican party headquarters last week. The Republican victory in the 24th district, a suburb of Los Angeles, with no farm and little labour vote, has ensured the party of a majority of at least three when the House of Representatives meets again. This is a bare margin, but better than the majority of one which had been feared last week. Yet the unexpected triumph of Mr Lipscomb, in a contest in which two rival candidates represented each party, was not so much a defeat for his Democratic, as for his Republican, opponent. Nominally, there are more Democrats than Republicans in the district, but it has formed the habit of returning a Republican. This time, however, Mr Lipscomb had to compete with another supposedly good Republican, Mr Collier, and it was forecast that a split Republican vote would present the seat to the official Democrat, young Mr Arnold; the strength of the other Democratic candidate was known to be negligible. In fact, Mr Collier's strength also turned out to be negligible and Mr Lipscomb won by 42,800 votes to Mr Arnold's 34,545.

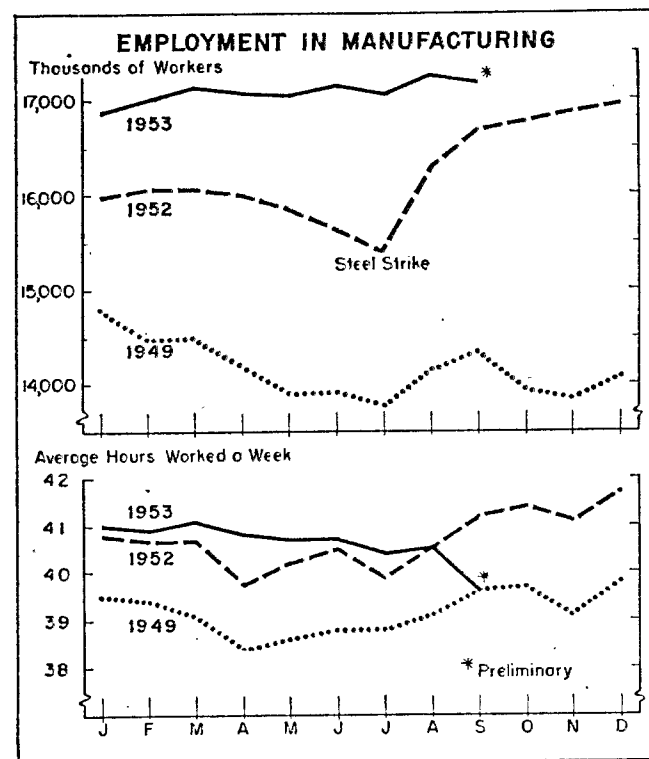
Mr Lipscomb himself fought on a straight pro-Eisenhower platform, while Mr Collier seems to have been certain of only one thing, that he was standing against the party machine. While his vagueness may in part explain his failure, it has not necessarily been proved, as the Republican left-wing may argue, that the voters want pro-Eisenhower liberals in Congress and that the disaster in New Jersey might have been avoided if the Republican candidates had been less conservative. It could perhaps be argued more validly that Mr Lipscomb's victory proves that last week's poor showing might have been avoided if candidates in New Jersey had followed Representative Reed and Senator McCarthy and had attacked high taxes and Communism with more vigour. For Mr Lipscomb had the help of such famous Republican die-hards as Senator Dirksen of Illinois, and in the State Legislature his record has been much more conservative than that of Mr Collier.

In fact Mr Collier was regarded as the candidate of the liberal Warren-Knowland faction in the Californian Republican party, while Mr Lipscomb had the support not only of Vice-President Nixon but also of the party machine and of the new Governor, Mr Knight. It is difficult, as in all Congressional by-elections, to assess the national significance

of this week's result in California. Its local significance is that it confirms the conservatives in control of the Californian branch of the Republican party, something which had already been made virtually certain when Governor Warren resigned to go to the Supreme Court.

Employment on the Turn?

THE Administration is keeping its eye upon the nation's 63 million jobs, although on the surface, at least, the figures make cheerful enough reading. Unemployment reached a new peacetime low of 1,160,000 in October, while the number at work was only a fraction under last autumn's level. What is causing some concern is that factory employment, although half a million higher than it was last year, has fallen by 60,000 this autumn instead of rising by the 200,000 or so which has come to be regarded as customary. Claims for unemployment benefits, which usually drop as the factories begin to hum after the summer, have risen instead.



Overtime, too, is dwindling: average hours worked in September were lower than they have been since the recession year of 1949, although the Labour Day holiday may exaggerate the steepness of the decline. The average weekly pay-packet has fallen from nearly \$72 in March to \$70.49, something which helps to explain why personal incomes receded by \$1 billion a year in September from the August rate of \$287 billion a year, and why retail sales, already wilted by the prolonged warm weather, have failed to recuperate.

Unemployment might be higher if the temporarily laid-off worker were included, and if almost 2 million women, elderly men and young workers had not withdrawn from a



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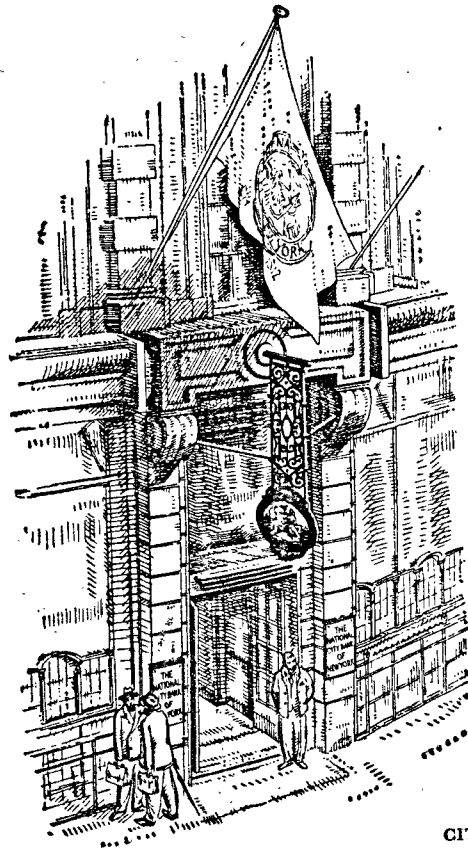
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labour market in which employers are beginning to be able to pick and choose, at least where unskilled workers are concerned. But the storm-signals—if that is what they are—are still very faint. Nevertheless the Administration has thought it worthwhile to announce a special tax-amortisation bonus for firms with defence contracts who build new plants in one of the areas with a labour surplus. Mr Wilson, who used to put such emphasis on saving the taxpayer's money, has denied with heat that defence spending is likely to decline very rapidly after it reaches its peak in December.

Pressure, moreover, is being put on the seven economic study groups to have their recession remedies ready before Christmas; the President wants to be able to ask Congress for whatever legislation may be necessary to enable him to act quickly in his message in January. Mr Burns, the chairman of the Council of Economic Advisers, is already considering the virtues of a large public works programme, easier credit for home-building, an extension of unemployment insurance, and various tax changes as means of strengthening the ability of businessmen to ward off a recession. All have the attraction that they need not involve much federal spending for the Republicans hope, though in this they may be disappointed, to induce the states to shoulder part of the cost of the public works that may be needed.

The Right to Know

THE steel manufacturers should welcome President Eisenhower's new executive order on the safeguarding of official information, for it abolishes the lowest category for classified documents—"restricted"—and leaves only three—"confidential," "secret" and "top secret." Confidential papers must be kept in a steel container while wooden desks were safe enough for restricted documents. Until the restricted files can be sorted out (there are said to be twelve miles of shelves of papers from the last war still to be dealt with), they may have to go into confidential steel cases, in spite of the official warning against unnecessary upgrading—provided of course funds are available to buy the cases. There is also a suspicion that the abolition of the restricted classification may merely mean that in future more documents will be made confidential, rather than that more will be released. And newspaper men will not apparently be allowed access to confidential papers as they often were to restricted ones, for background information.

But in spite of these possible drawbacks the press, which was consulted in advance about the new order, considers it a great improvement over the comprehensive one hastily imposed by President Truman after the Korean outbreak. This was more concerned with keeping information from the enemy than with making it possible for Americans to know what their government was doing. Under it all government agencies, including the Battle Monuments Commission and the Committee on Purchases of Blind-Made Articles, had power to classify documents. Now this power has been removed entirely from 28 agencies and is given only to the heads of 17 others. Only in especially sensitive offices, such as the State and Defence Departments, is authority to classify more widely distributed. In addition, provision is

made for appeal to a presidential assistant by anyone who thinks information is being withheld unjustifiably.

But just as the dangers of Mr Truman's order were potential rather than actual, so are the benefits of Mr Eisenhower's. There is no point in eliminating the obstacles which prevent the press telling the people what they ought to know if officials are unwilling to talk to reporters. In this the Eisenhower Administration has left much to be desired. It is true that since he returned from his holiday the President has been holding press conferences regularly, but there are members of his Cabinet who seem to pride themselves on treating newspapermen with suspicion, and others who are accused of giving stories only to a select group of their friends. And when government officials do talk they show a tendency to contradict themselves; for example, not long ago atomic energy spokesmen seemed unable to agree on the extent of Russian atomic developments. More recently, when the Secretary of Defence implied that American troops would be withdrawn from Europe, the Secretary of State had to deny this immediately, and there has been a similar confusion over the question of making atomic weapons available in Spain. Now the President has taken steps to see that in future such statements will be co-ordinated between departments and officials.

Benson's Straight Furrow

ANY motorist in the United States today can see the influence of the Department of Agriculture's Soil Conservation Service on the hillsides where the furrows follow the contour of the land instead of being ploughed in straight channels down which the rain washes away the topsoil. The service, which is an outstanding example of successful local co-operation between government officials and individual farmers, is also responsible for suggesting suitable crops and fertilisers and for reforestation and flood control. Started in the dust-bowl days of the nineteen-thirties, this autumn's drought has shown that the need for it is by no means over, even though by now many of its experiments have become normal farming practices. But to the Secretary of Agriculture, Mr Benson, the service offered an excellent opportunity for practising the Republican principles of economy, efficiency and decentralisation of government. He decided to close the seven regional soil conservation offices, and leave the work to existing state agencies, under general direction from Washington, as part of a complete reorganisation of the Department of Agriculture.

Congress authorised this reorganisation several months ago, before Mr Benson became the scapegoat for the farmer's troubles. Now, however, the Republicans who want to drive him out of office and the Democrats who want to drive the Administration out of office are together trying to force him to abandon the section of the scheme that affects the soil conservation service. They have been flooded with letters, condemning the change, organised by the National Association of Soil Conservation Districts; these districts cover nearly 90 per cent of the country's farm land and over one million farmers co-operate in conservation policies, but the association is probably speaking mainly for officials who fear the loss of their jobs. It is also said to be inspired by antipathy for the Farm Bureau Federation and suspicion

of its influence with Mr Benson. His thinking on such matters as lower farm price supports is similar to that of the federation, which works closely in some states with the agricultural educational and advisory services. Admirable as many of them are, these services are thought to lack the technical experience needed for the soil conservation responsibility which, Mr Benson's opponents insist, he intends to give them. He denies that this is his plan, or that he wants to weaken soil conservation. He also denies that the reorganisation scheme means the dismissal of many of the government's already inadequate staff of soil experts or the abandonment of regional co-operation on such questions as watershed development.

There is no doubt that Mr Benson's proposal has been misunderstood and misrepresented. But there is a genuine background of concern at the possible disruption of a practical service that has been widely admired. Nor is Mr Benson helped by the fact that a scheme similar to his was first proposed when Mr Henry Wallace was Secretary of Agriculture. However, Mr Benson, who never conserves himself, refused to make any concession to the political lay of the land and ploughed straight into his reorganisation before Congress could stop him. In thus courageously implementing his scheme, he had the full support of President Eisenhower.

New Lines in Trains

EARLY this month the last steam engine on a regularly scheduled run pulled out of Washington station. From now on the capital will be served by diesel engines only and elsewhere the "dieselisation" of the railways is nearing completion. This means that the railway companies are having to think of new ways of cutting down costs, and the diesel manufacturers of new markets in which to sell their products. By the end of the year it is expected that 75 per cent of freight trains and 90 per cent of passenger trains will have abandoned steam, and already the General Motors Corporation has cut its output of diesel engines from seven and a half units a day to four. It is not very surprising, therefore, to learn that the company's overseas department is planning a major sales drive next year, nor that the American Locomotive Company, whose diesel production has gone down from four units a day to three, has been exhibiting a "world" model, lower and lighter than its standard engine for the United States and with a flexible wheel base that can be adjusted for use on lines with different gauges.

The profits statements of the railway companies for the first half of this year are cheerful enough. Operating revenue is up by 4 per cent over the corresponding period last year, while operating costs have increased by only one half of one per cent. Dividends are greater by 9 per cent. The attack on costs must go on, if the high level of traffic which alone makes the investment in diesels economical is to be maintained. Goods yards are being laid out afresh, with all traffic directed from a central point by remote control. The time taken to move freight through Chicago, for instance, has been reduced by a half. Labour time is being saved on maintenance, either by new machines, like the compressed air spike driver for laying rails, or by cutting out travel in work trains to and from the part of the

permanent way being repaired. Instead special dormitory and restaurant trucks are left at the places of work.

In the United States, as with every other railway system, it is not the passenger trains that make the money. The main lines lost \$643 million on their passenger traffic last year, though this was lower than the highest deficit recorded—\$680 million in 1951. Strenuous efforts are being made to economise, particularly in the design of rolling stock. The Chesapeake and Ohio Railway and the New York Central Railroad have just launched a joint research project to find a new light-weight coach. One such type of coach, made by an American firm, is already in use in Spain. It is short, has a low centre of gravity, and has only two wheels, at the rear end—the front end being supported by the carriage ahead. There are also new facilities to tempt the passengers to travel by train. At one station he can now order his ticket by telephone and collect it from a "drive in" office in his suburb, without having to get out of his car.

Psychological Information

THE functions of the new overseas information agency, created by consolidating the information services of the State Department with those of the mutual security and Point Four programmes, have now been set out in a directive from the National Security Council and in a letter from Mr Streibert, the radio and advertising executive who was chosen to head the agency. They reflect, almost word for word, the views of the Jackson Committee, which last July took a strong stand, in theory at least, against the illusion, fostered during the Republican campaign, that psychological warfare had a role to play independent of official policies and actions. According to Mr Streibert, emphasis will be placed upon "objective, factual news reporting and appropriate comment," and he promises that the new approach will be more "hard-hitting" than the previous "diffuse" programmes.

In part this is the consequence of having less money to spend; Congress appropriated only \$75 million for this year, compared with \$96 million last year. On the other hand, it hardly seems that the facts will be allowed to speak entirely by themselves. The new agency will stress fewer, but more vital, themes, and try to "get a message across convincingly." That message, as laid down by the Jackson Committee and the National Security Council, is that the objectives and policies of the United States are in harmony with the legitimate aspirations of other nations. Mr Streibert adds that "we must explain those goals in ways that will cause other peoples to join with us in achieving them."

Where this might be difficult, as in the case of Trieste or, conceivably, of South Korea, Mr Streibert will have the benefit of State Department guidance, but he will not be required to accept its day-to-day direction. He is responsible only to the National Security Council. Mr Streibert will have more independence, if less money, than his predecessors. It remains to be seen whether Congress has finally become reconciled to the need for an information service and is ready to give the new scheme a fair trial by calling off its investigators.

The World Overseas

Death of a Desert King

BY A CORRESPONDENT

KING IBN SAUD is dead, and his eldest son, now King Saud Ibn Abdul Aziz, has immediately been proclaimed ruler of his father's domains. When an old friend dies, and Ibn Saud can be counted as a very old friend of Britain, memory at once leaps back to typical incidents in his long career. One such took place immediately after the first world war. Sir Percy Cox, then High Commissioner in Iraq, had asked Ibn Saud, then Sultan of Nejd, to meet him and discuss a disputed frontier. He came, splendid in traditional dress; he met Iraq's representative, equally splendid in frock coat and brown boots. "As everyone knows," began the latter, "the historic frontiers of Iraq stop just short of Riyadh." Sir Percy, impassive in the chair, called on Ibn Saud to speak: "As everyone knows," the latter began, "the historic frontiers of Nejd stop just short of Aleppo." Both contestants were thus in a position to protest, and Ibn Saud even to weep, when the inscrutable west fixed a compromise and a neutral zone. But, as so often in the Arab world, common sense triumphed once the fuss had been made; both parties have since observed the arrangement.

What sort of a man was Ibn Saud? Brave, of course; a giant both in physique and in heart, and though the former failed him in his declining years, the latter never did; a match for opponents in debate, humorous, but sensitive and capable of deep feeling.

Such Britons as knew him before the First World War may be pardoned if their estimate of him differs from that of many Americans who came to know him only after oil was discovered in the Hasa in the 'thirties. To several Americans, Ibn Saud represented Arab nationalism *par excellence*; and it was partly in this belief, fostered, perhaps, by the numerous Syrians whom he attracted to his service, and to whom, whatever their worth, he was unfailingly loyal, that haste was made in the United States to attend to his private whims, or to the whims of his unspaced family. To Britons, on the other hand, Ibn Saud appeared to be the last of the truly great Arab feudal chiefs, a man who believed primarily in Islam and in personal sovereignty, not one who paid overmuch heed to doctrinaire plans for Arab unity or to the lessening of individual sovereignties for the sake of a greater entity.

He understood personal rivalries; it was part of his hard-formed make-up, and he did not take easily to the subduing of old hatreds just to please academic dreamers. When Faisal the First of Iraq died in 1933, Ibn Saud, who

a little earlier had met the Iraqi King on HMS *Lupin* in the Persian Gulf, and had there shown all his traditional courtesy and hospitality to the scion of a family which he had ejected from the Hejaz, said: "So the wily serpent is dead at last." But if his hatreds were durable, so were his loyalties. Britain was, next to Arabia, his oldest love. His belief in Britain, if severely tested at times, notably by events in Palestine, never really wavered; during the Second World War, particularly in the black year when but for Greece and the Arab Legion Britain seemed bereft of allies, his faith in the *Inglesi* remained steady. Neutral he was, but his neutrality was not of the cold kind whereby hopes are entertained of profiting from both sides. He ardently wanted the Allies to win, and on the attainment of victory he thanked his God with a sonorous "Alhamdulillah!" Hyperbole, so unbecoming in English, is suitable in Arabic and in that tongue it can be said that after his God, he believed in the British Government.

Between Minaret and Pipeline

It is early to speculate on the chances of Saudi Arabia's enduring in its present shape and temper. Riches came swiftly to Ibn Saud, through oil, and after fifty years of comparative poverty which were made tolerable only by the revenues accruing from the Pilgrimage to the Holy Places of Islam and by subventions from the British Government. That these riches from oil revenues tended to corrupt the hitherto tough fibre of Ibn Saud's subjects is indisputable. The old austere moral law in Saudi Arabia has sadly weakened, nor is there, as yet, any moral sanction to take its place. Drunkenness, once unheard of, has latterly been rife. Luxury accommodation for Ibn Saud's relatives has overleaped itself almost annually, and the contrast between certain of the Princes' palaces and the comparatively wretched existence of millions of Nejdians and Hijazis, largely untouched by the oil wealth, is far greater than that between Park Lane and the East End of London.

Of these dangers, the new King, Saud, is well aware. Already he has tried to revivify the faith of his ancestors, and when a royal edict is issued that the foreman of a gang of labourers shall lead the party in daily prayers, it is a sign, not only that King Saud has read the slippery tendencies of the oil-rich times, but also that it will be obeyed. If it is demonstrably true that as Saudi Arabia has prospered materially, so it has declined spiritually, it

is not necessarily true that the decline cannot be arrested. Of all Ibn Saud's sons, King Saud is the man most likely to effect such an arrest, to preach and practise the virtues of faith and spare living, so to husband the country's resources that millions as yet unaffected by the oil wealth shall prosper through whatever development is possible in other ways. He has perhaps not so clever a wit as certain of his brothers, but he stands a chance, through his integrity, of reducing Saudi Arabia's feverish and sometimes ill-considered growth to a steady, broadly based increase in solidity and in prestige. It will not be an easy task.

Much will depend upon the new King's advisers. But if he can check the flow to his capital of such Arabs as have not fared well in their own countries, and who come to this desert kingdom for wealth that was altogether out of their reach in their native lands, he will, at least, have made a right beginning. He will have demonstrated that there is in the Nejd way of life a fund of commonsense that was first exemplified, in this century, by his father.

Europe in Perspective

FROM OUR SPECIAL CORRESPONDENT

IT is common knowledge that the student of Western Europe's economic statistics and the traveller through its towns and villages have differing views of what has been achieved there. The former sees heavy clouds threatening the economic outlook; the latter thinks of what the liberated countries looked like eight years ago, and draws comfort and strength from the massive achievements of this era. It would be foolish to be complacent—to rest 'insecurely on the laurels of rehabilitation and reconstruction; but it would be equally stupid to dismiss, or under-rate, the remarkable, and now complete, recovery of Western Europe from the wreck of Hitler's war. There is always a danger that men with short memories and boundless illusions will fall victim to the seductive propaganda of the Communists, whose own people are permitted the luxury neither of a past nor of a future. Yet if free Europe's achievements of the past eight years are seen in their proper perspective, they more than match anything on the other side of the iron curtain. And the relative costs in human suffering are disproportionate.

What has been done in Western Europe? In wellnigh every sector of economic activity prewar levels have by 1953 been surpassed. Take industrial production: the combined index of the eighteen OEEC countries (Spain is a sector apart) averaged 115 in the first half of 1953 (base 1950) compared with 82 in 1938—an increase of 40 per cent. Recovery has naturally been unequal; but it is not surprising that the most rapid strides have been made in the heavy industry sector, since this has been a period of sustained investment. In the aggregate an average of more than 28 per cent of the gross national product in OEEC countries has been set aside for investment since the war, compared with less than 22 per cent in 1938. Such an effort must of necessity strain the resources—human and material—of these countries and, as even the Russians have discovered, must temporarily depress living standards until such time as the investments bear fruit. Generally speaking, Western Europe has now finished this phase of rebuilding, re-

equipment and heavy investment. In every country there is evidence not only of rebuilt roads, bridges, buildings, but also of new factories, modern machines, the latest type of blast furnaces, rolling mills and new mines equipped with the latest mechanical equipment. Not only have the great ports like Antwerp, Rotterdam and Amsterdam been restored to full working efficiency, but new extensions are now being brought into operation. In short, the basis of a considerable industrial revival has now been laid.

In agricultural production, too, though the record of recovery is less impressive than in the industrial sector, prewar outputs have on the average been exceeded by more than 20 per cent. That no more has been achieved is due not only to the inherent difficulty of extending the area under cultivation in this densely populated area, but also because it still pays Europe to concentrate on its role of a supplier of industrial goods. Yet it is surely a fact of no little importance that free Europe, despite the emphasis on industrial investment, is now better able to supply its own food requirements than before the war.

While the long pull of recovery since 1946 has put a break on living standards it is a mistake to think that no progress has been made. Indeed, in many ways the people of Western Europe are better off, for a minor social revolution has gone on side by side with the industrial and agricultural renovation. In every country a fundamentally new attitude to social problems now prevails. For instance, large, and in some cases major, redistributions of income and wealth have been carried out as part of a conscious policy. Expanded systems of social security have been introduced. And there is pretty general agreement everywhere on the need to keep unemployment as low as possible.

Defence *versus* Investment

Statistically speaking, the people of Western Europe now enjoy on the average substantially the same food supply in terms of calorific, protein, and fat intake as they did before the war. On the other hand, while the total population of the OEEC countries has increased by more than 30 million since 1938, and the total labour force by perhaps 25 million, the percentage of unemployed is now considerably lower than before the war.

American aid in its many forms—Marshall aid, military aid, offshore procurement, technical assistance—has been a big factor in putting Europe back on its feet. And even now a flow of dollars remains necessary. In this sense Europe's performance has been disappointing, but it is only fair to point out that new and unexpected burdens have had to be shouldered. For instance, the international tension and the artificial division of Europe has forced most of these countries to accept heavy defence budgets, while at the same time they have been cut off from traditional markets and sources in the East. Had the defence programme coincided with a period of slack demand and unused resources it would have been easier to bear; but in the existing circumstances, military priorities can be met only by displacing other competing demands, including exports. Thus, even though Europe's performance is suspect, if the acid test of the balance of payments is applied, there are many reasons for softening the judgment.

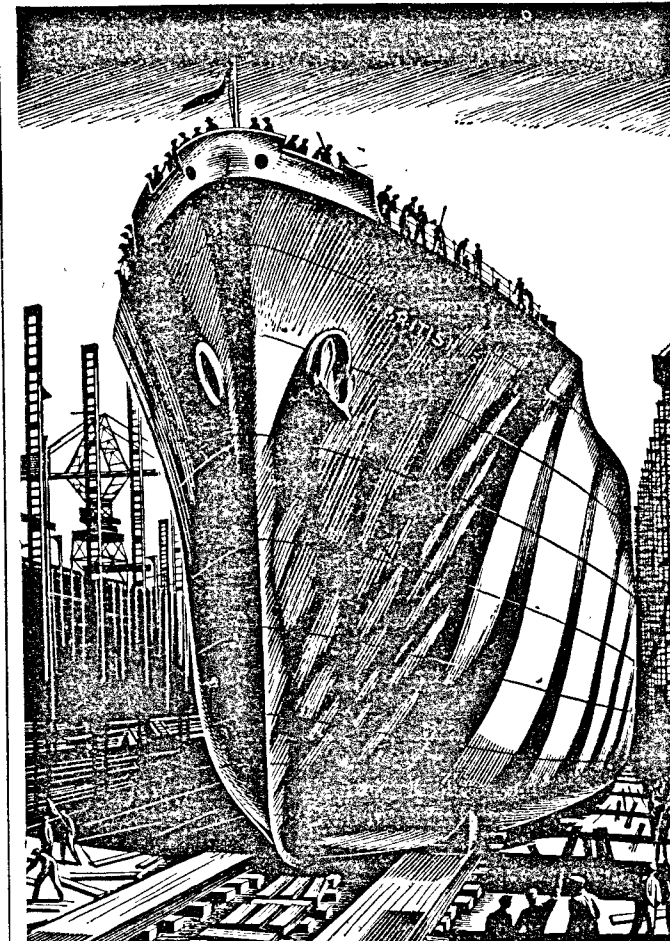
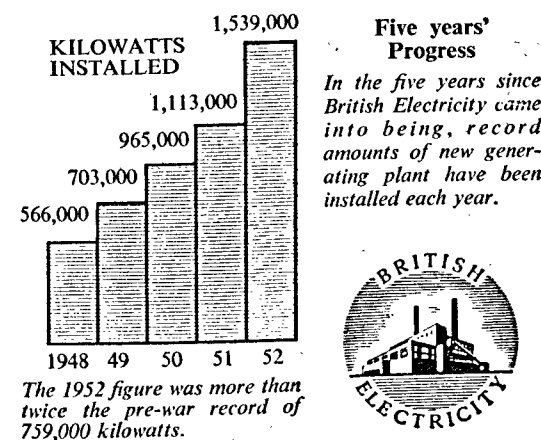
To many people recovery in Europe has been disappointing because in general it still retains its former institutional framework. That is, it is still a collection of sovereign independent states each with its own currency system, tariffs,

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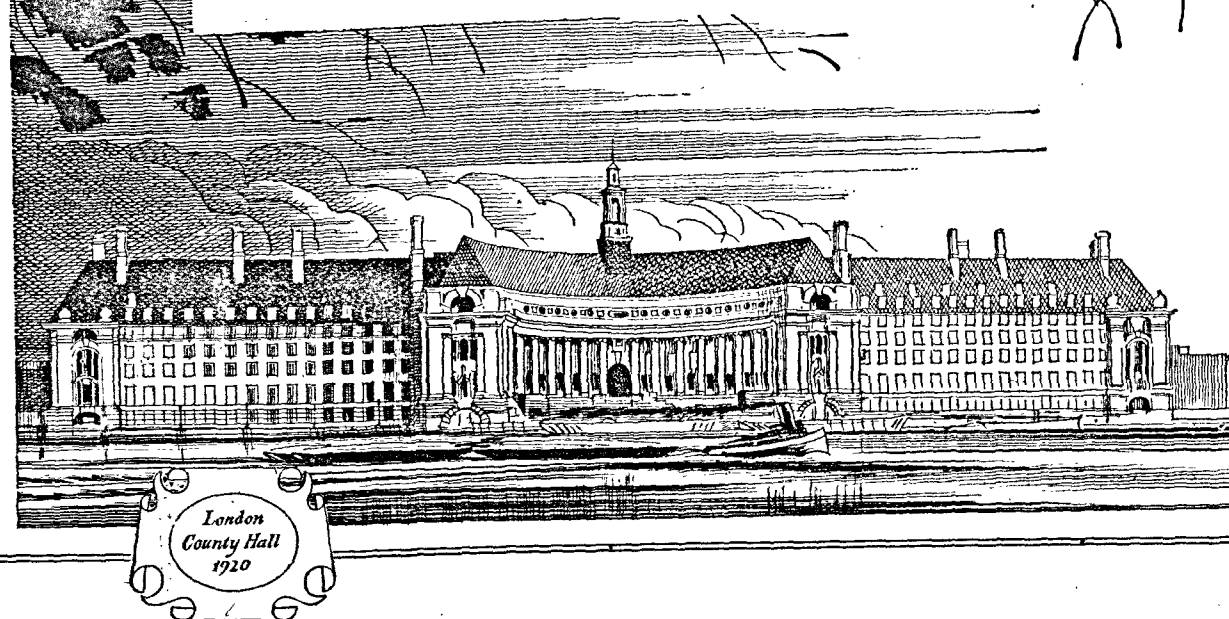


THE BP SHIELD IS THE SYMBOL OF THE
WORLD-WIDE ORGANISATION OF

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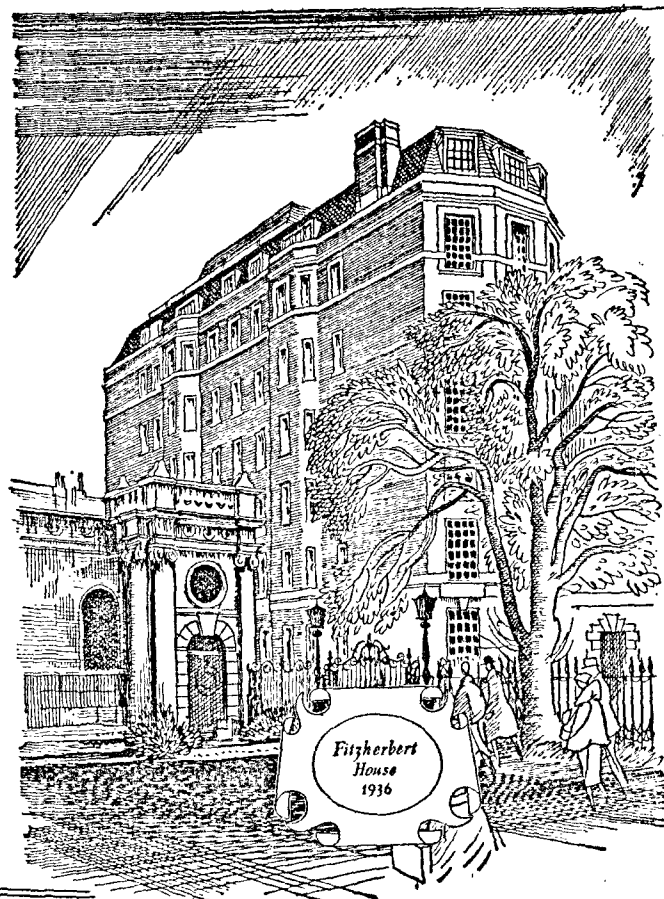
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quotas and national economic policy. Certainly it falls far short of the idealistic conceptions that held sway shortly after the war. Only in such small beginnings as the Schuman community and Benelux has any positive progress towards an integrated economy been made. Yet it would be a cruel judgment to write off the many other real advances. There is, for example, a much greater degree of international consultation through such organisations as the OEEC and the European Payments Union (EPU). It is unprecedented in European history that sovereign independent states should be willing to submit the facts of their national economy to critical examination by other countries. True, Europe is still not a single market, nor is there a common economic policy or fully convertible currencies; but there is at least a much greater degree of mutual understanding and broad agreement than hitherto.

Trieste Through Yugoslav Eyes

BY A CORRESPONDENT

WHEN the Yugoslavs look at the Trieste problem, there are three considerations uppermost in their minds. The first is the ethnic composition of the three areas under dispute—Zones A and B and the city of Trieste. The second is Yugoslavia's rights as a victorious ally in the last world war and as a signatory of the peace treaty that made certain specific arrangements about the territory. The third is the way in which the western powers have now made two attempts to impose a solution of a problem which should have been dealt with either by all the signatories of the Italian peace treaty or by agreement between Italy and Yugoslavia.

Leaving aside the city of Trieste, both zones have a predominantly Slav population. According to Yugoslav figures, in 1945 Zone A contained 15,000 Slavs and 5,000 Italians, of whom 4,000 live in the town of Milje; while Zone B contains 38,000 Slavs, 25,000 Italians and 2,000 undeclared persons. In the city of Trieste itself, only about 40,000 to 50,000 out of a population of about 300,000 are Slav. The rest are Italian-speaking and mainly of Italian race, although some are of Slav or Austrian origin. If the city of Trieste is regarded as a separate issue, as the Yugoslavs think it should be, it is clear that they have the advantage on ethnic grounds in both zones. But they regard any attempt to eliminate minority difficulties by an exchange of populations as impracticable; for while the Italians of Zone B are town-dwellers who could possibly move their goods and chattels, the Slavs of Zone A are peasant land-owners who could not move their farms, farmhouses and stock.

The Yugoslavs claim that both Trieste and the surrounding territory, which before 1918 belonged to the Austro-Hungarian Empire, were wrongfully given to Italy by the Treaty of Neuilly at the end of the first World War. Italy's administration of these territories in the period between the two wars was, they say, one of brutal and deliberate denationalisation of the Slavs. The Yugoslavs cannot forget this and believe that it should not be ignored in any settlement today. They claim that 80,000 Italians were brought into the area between 1919 and 1945 to increase the numbers of Italian voters; this does not

include the thousands of Slovenes and Croats who were forced to change their names, to be educated in Italian and to give up all their Slav affiliations.

In the last war the territory of Trieste was used by the Italians, fighting in alliance with Nazi Germany, as a base for the invasion and occupation of Yugoslavia. The Yugoslav fear that the same sort of thing could happen again is aggravated by Italian extremists who still publicly lay claim to coastal areas of Yugoslavia. And when the western powers attempt to deal with the problem first, in 1948 by promising the whole of the free territory to Italy and then last month by awarding it Zone A and Trieste city, the Yugoslavs feel that an ex-enemy is being rewarded at the expense of an ex-ally.

Marshal Tito has made two suggestions for dealing with the town of Trieste, first that it should be internationalised, and, more recently, that it should be handed over to Italian civil administration but not to Italian military control. Both these proposals emphasise the Yugoslav wish that the town should be treated as a separate problem. They feel that the port is much more important to them than to the Italians. The latter—as recent figures show—have little need of a port in this part of the Adriatic; it is too far away from the main stream of Italian commerce and, in any case, Italian shipping in this area can always use the port of Venice. But Yugoslavia does need a port at the northern corner of the Adriatic both for supplies to Slovenia and Croatia and for the shipment of goods to the small ports further south along its Adriatic coast. From a strategic point of view the Yugoslavs feel that Trieste would be more usefully employed supplying their north-west army and more easily defensible by it than by Italian forces.

Signor Pella's Price?

Jugoslavs remain unimpressed by the argument that Signor Pella's democratic government must be bolstered up by a favourable Trieste settlement lest it be destroyed by right-wing extremists. They know also that Britain wants Italy to join the European Defence Community and think that Trieste may be Pella's price for doing so. They feel, however, that to give Italy a favourable award on Trieste for this reason is nothing short of blackmail and they still hope that this will not be allowed to succeed. Since the break with Russia in 1948 Yugoslavia has moved very much to the west and a growing friendship with Britain was thought to have been cemented by Marshal Tito's highly successful visit to this country in June. Some measure of the bitter disappointment with present British policy can be seen from the unusually sharp and emotional character of Tito's recent speeches. And there is no doubt that in his present policy he has the whole country firmly behind him. It is equally certain that the demonstrations in Belgrade were a spontaneous manifestation of a general feeling. Jugoslavs feel that if the present award is pushed through in spite of their justifiable claims they will be forced back to the position they were in after 1948, without friends either in the west or the east. Yugoslav leaders affirm—and they are doubtless sincere—that there is no question of them going over to the Soviet Union. But they feel that the present situation has given grist to the Cominform mill both among their own people and outside, and they fear that unless a more reasonable and to them less blatantly pro-Italian solution is found, their blossoming friendship with the west will be irreparably harmed.

Caesar's Wife at Uno

FROM OUR UNITED NATIONS CORRESPONDENT

THE best battles at the United Nations are sometimes hidden behind the mildest phrases. Thus, the Fifth Committee of the Assembly, working its way down a schedule of such modest gems as financial reports and accounts, budget estimates, and reports of the Negotiating Committee for Extra-Budgetary Funds, has been slowly but surely approaching two very portentous items: the Secretary-General's report on personnel policy, and the paying of indemnities to dismissed officials under the recent rulings of the Administrative Tribunal. Both items could prove explosive.

The Secretary-General's report arises out of two resolutions passed by the last Assembly, one requesting him to submit a further report on personnel policy, the other asking him for recommendations as to further action. It will be remembered that the whole personnel problem arose in 1952. At that time a Senate investigating committee and a grand jury were baying on the trail of Americans suspected of subversion, and the implication was plain that if the United Nations did not cleanse its own house of them, Congress and the Department of Justice would do it. Even before Mr Lie's resignation from the post of Secretary-General was accepted, the new American delegation head, Mr Henry Cabot Lodge, added his own dramatic touch to an unhappy situation by bringing to the glass house some 1,500 civil service forms and asking that they be filled in by American employees, complete with finger prints, within 24 hours.

Looking for a Foolproof Formula

This was the situation that Mr Hammarskjöld inherited, and it speaks well for him that staff morale has so largely recovered from the shocks of those days. Meanwhile the FBI has presumably been investigating every one of the Americans employed in the "big glass house." Thus far those investigations have not been concluded, but apparently the process has had a quieting effect. Presumably Mr Hammarskjöld has in turn been trying to convince American officials that he meant what he said (and what the Charter says) when he talked, in many speeches, about "the exclusively international character of the responsibilities of the Secretary-General and his staff," and the obligation of every member nation "not to seek to influence them in the discharge of their responsibilities."

Certainly he has firmer ground to stand on than had Mr Lie, for the legal attitude of the United States was laid down in an executive order last June which in substance recognised the right of the Secretary-General to govern his own staff. If, as one assumes, he has been firmly but quietly upholding the much-debated independence of the international civil service, it is probable that in the light of the June order the Secretariat and the State Department each knows where the other stands, and cannot be shaken from that mutually respected position. At any rate, the element of ambiguity which baffled Mr Lie has now been removed.

The invitation to submit recommendations for the future touched a different angle of the problem. In the one case Mr Hammarskjöld found himself having to assert his right to hire and fire against the American desire to weed out

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Americans who fell foul of present attitudes toward those suspected of Communist sympathies. In the other, he faced the necessity of finding a basis for firing which would save the Secretariat from unfounded suspicion.

Now that his report is out, the basis for this tightening and strengthening has been revealed, at least in part. There are obvious discrepancies between the description of the ideal international civil servant as laid down by the Charter and that set forth in the staff regulations. In the removal of these discrepancies may lie the possibility of an important and fruitful reform. For example, Article 101 of the Charter says that "The paramount consideration in the employment of the staff and in the determination of the conditions of service shall be the necessity of securing the highest standards of efficiency, competence and integrity." On the other hand, the staff regulations say that men may be removed from their jobs at Uno only for unsatisfactory service or serious misconduct.

Obviously these two sets of qualifications, the one in the Charter, the other in the staff regulations, are by no means equivalent. Men may be totally lacking in integrity, and yet be technically guilty of neither unsatisfactory service nor serious misconduct. They may be so lacking in judgment that no foreign office would employ them, yet under present regulations the United Nations could not dismiss them without the risk of having to pay an indemnity for wrongful discharge.

Nothing but the Vote

What the Secretary-General seeks is the uncontested right to apply, under the staff regulations, the standards of the Charter, and to make them stick. If he had that, he would be reasonably secure against any national attempts to apply national standards to international civil servants. He also needs some legitimate way of persuading these civil servants that they should not engage in the political activities of any single nation. On this point the staff regulations say merely that a staff member must undertake "no activity reflecting on his status as an international civil servant," but no definition of such an activity has been provided, and political activity by itself does not rank as serious misconduct. A staff member may be most un-neutral in his expressions and his activities, he may even be known to be conniving with the delegation of his country; but under present regulations none of this is reason for dismissal.

This is not a new quandary for international organisations. Sir Eric Drummond, Secretary-General of the League of Nations, faced it there and recognised that an international civil servant should, by definition, be expected to cede some of the political interest attaching to his own nation which his fellow citizens enjoyed. It was never proposed that he give up his right to vote, but it was recognised that he should not be an active member of a national political party, nor take even an active amateur part in political activities.

A man less versed in parliamentary affairs, and less aware of the obligations of his office, than Mr Hammarskjöld might have asked for tighter control over his staff without weighing the possibilities of tyranny implicit in such a request. It looks as though he expects to pay for the grant of greater power by the acceptance of some Assembly check on his use of it. If, for example, a disgruntled national could persuade his delegation to raise in the Assembly a question as to the principle on which the

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Secretary-General was acting in dismissing him, this would provide a parliamentary check in the British—or the Swedish—manner. It might make trouble for him; it is potentially a dangerous weapon to put into the hands of nations not yet accustomed to international disciplines. But it would be a *quid pro quo* for needed powers.

The Secretariat as now organised is built on the American plan, with a Secretary-General who has executive powers that must be used according to rules, and a staff bound by a precise set of regulations which govern hiring, firing, wages, complaints, obligations and so on. The framework is rigid, the rules are precise. Most of the time it works, but occasional clashes create spasms of bitterness. What is proposed would loosen the rigidity of the framework, give the Secretary-General more power, but at the same time make him subject to political check and balance. It is the grafting of something European on to an American stem.

Revolt in Atjeh

FROM A CORRESPONDENT IN INDONESIA

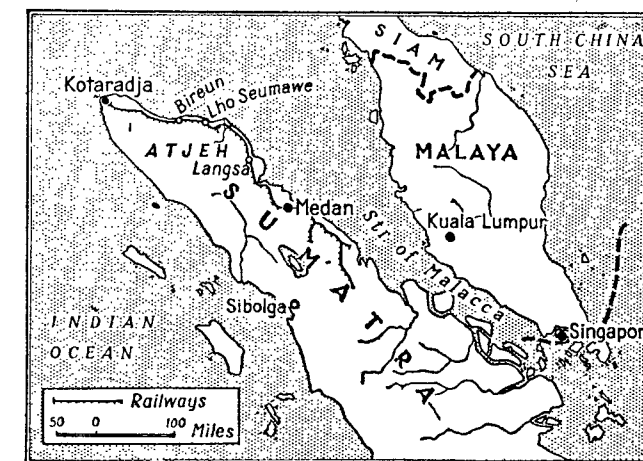
DURING the past five weeks the situation in Atjeh, the most northerly district of Sumatra, has reverted to a suppressed calm. Order has been restored and, while the possibility of further outbreaks remains, the central government has done something to pacify local opinion by making a number of administrative changes. The Achinese, the people of Atjeh, however, have never willingly accepted outside interference in their affairs and the root causes of their hostility to Djakarta have not been removed. They are a fierce, bigoted, strongly Moslem and altogether more positive race than the Javanese. Their struggle against occupation by the Dutch and the seething discontent which broke into the open from time to time after the original occupation constituted a minor epic.

At the end of the second world war Atjeh joined in the independence movement and was a part of the "original" republican territory. However, once Indonesian independence was a reality it soon became clear that the views of the Achinese on liberty were by no means the same as those held by the former Djocja government, which had moved itself to Djakarta and rapidly stifled the infant federation in favour of a unitary state. Soon Achinese grievances were centred on what was felt to be three offences against their pride and independence. The first was the presence of non-Achinese government officials, largely Javanese, most of whom did not speak the language of Atjeh and had no appreciation of the territory's needs. The second was the tactlessness of these alien officials and their ignorance of local customs, coupled with neglect from the capital. The third was the continuation by the central government of the Dutch system of security in the outer islands according to which Moslem troops looked after Christian areas and Christian troops after Moslem areas. Only the participation of the Masjumi in the early cabinets and the personal influence of respected Moslem leaders such as Natsir, who took the trouble to go to Atjeh and speak plainly, maintained the peace.

For several years, therefore, an embryo separatist movement endured in Atjeh nurtured by discontent, by mis-

handling from the centre and, to a lesser extent, by the natural Achinese propensity for having a fight with anybody non-Achinese. The long cabinet crisis of 1953, ending with the formation of the Ali Sastroamidjojo government, helped to bring matters to a head. The new government gave every sign of being strongly influenced by the Communists and was firmly opposed by the main Achinese political organisation. As a result respected Moslem leaders disappeared from positions of authority. Moreover, the general security situation took a turn for the worse, partly as a result of a rising of Moslem tempers in rural districts, partly because the gangs were encouraged by the weak government.

All these factors brought to the surface an uprising which had been stirring in a rather sporadic manner for several years. On September 20th armed groups attacked the main towns in Atjeh, particularly along the east coast, broke up the railway line and cut communications. Attacks on Langsa, Lho Seumawe, Bireun and other eastern centres continued for a week. Families of non-Achinese government officials were evacuated by sea to Medan. Today it is mainly in the east that the army has restored some measure of security in the towns and along the railway between Langsa and the



capital, Kotaradja. Between the other towns and in the interior the army has less control.

Government pronouncements on the rising have not inspired confidence that the real facts are being admitted. Radio Indonesia ignored the whole affair and came in for a great deal of criticism in the press as a result. The official communiqués exuded an optimism that no one shares, least of all the army commander on the spot.

Atjeh is yet another fragment of the progressive disintegration of Indonesia's unitary state. Separatist movements with armed backing now exist in the Moluccas, in South Celebes, in West Java (where Darul Islam is as strong as ever) and now in Atjeh. The capture of couriers bearing documents of the Darul Islam organisation show that the groups of dissidents are trying to keep in contact with one another and, presumably, to co-ordinate their activities. It would be a gross exaggeration at present to think of these widely spread movements as being really co-ordinated or controlled by any "master-mind." But the elements of co-ordination now exist and cannot fail to embarrass the government—already very weak—which is called upon to deal with revolts in territories as far apart as are Britain and Turkey. Nor can it be encouraging to the Djakarta

government to know that there are yet other districts which look with satisfaction on the failure of the central authority to put down separatist and federalist movements.

As it becomes increasingly clear that the use of limited force in such impenetrable country solves virtually nothing the federalist idea is bound to have more and more appeal. As a unitary state Indonesia is burdened with a series of revolts which its troops can scarcely subdue and its economy cannot stand. One must hope that the bitter events of the last four years have not so alienated the races of the outer islands as to make federalism impracticable. Hope springs from the fact that despite these events the ideal of an Indonesian nation still remains.

The Soviet Note

[The Soviet Note of November 5th to the western powers has been the subject of so much comment that its actual content has been in some cases overlooked. Below is a summary of its main points and argument.]

THE Note begins by complaining that the previous western Notes of October 18th and September 2nd avoided the principal questions put forward by the Soviet Union in its previous efforts to resolve international problems; and asserts that meetings of the three western foreign ministers, like the recent meeting in London, cannot but limit initiative and lessen the possibilities of agreement.

The Soviet Note then recalls that its previous Note of September 28th had proposed a meeting of the foreign ministers of the United States, Britain, France, the Soviet Union and the Chinese People's Republic. The Soviet Government had made this proposal in the belief that favourable conditions now existed for such a meeting, especially since the armistice in Korea had been signed. Efforts to secure an easing of tension had been made all the more necessary by the growing armaments race—which now included hydrogen and atomic weapons—by the formation of military groupings of some states against other states, and by the growing network of military bases set up by certain states on the territory of other states. The western powers had contended that disarmament was being considered by the UN General Assembly; this was not a well-founded objection, since the UN's discussion of disarmament had run into serious difficulties and had completely failed to halt the armaments race.

A full settlement of the Korean problem based on national unification and a stable peace is most important for a lessening of international tension. If the western powers are really anxious to secure this they cannot fail to take into account the legitimate demands of the Korean-Chinese side for the representation of certain interested neutral states at the proposed conference on Korea.

The easing of international tension also depends to a great extent on the admission of the Chinese People's Republic to the United Nations "and its participation in the decision of the fundamental questions relating to the maintenance of peace. . . ." Peking's participation in international consultations cannot be limited to the Korean conference since Korea is connected with the settlement of other important problems. It is also necessary to recognise that acts of aggression against the Chinese People's Republic, which have been provoked by certain powers, are impermissible.

From all the above it follows that a five-power conference of foreign ministers is urgently necessary. But the western powers have put forward a number of conditions for the holding of this conference; if they continue to insist on these conditions it will show that they do not really want to ease international tension. The western powers have pointed out that all five powers could be represented at the Korean political conference. But their refusal to accept neutrals at it makes Soviet participation impossible; moreover, this conference could not discuss "the general question of lessening of international tension."

The Soviet Note then goes on to enumerate the evidence which in its view strongly suggests that there is a serious danger of renewed aggression by the Bonn Government "which expresses the aspirations of aggressive circles of West German monopolists and Hitlerite military leadership." These circles are exerting continuous pressure to get the EDC Treaty and the Bonn agreements brought into force. If they succeed, the remilitarisation of West Germany will go ahead, and every effort will be made to drag West Germany's treaty partners into a war for the accomplishment of the "West German revanchists'" criminal aims.

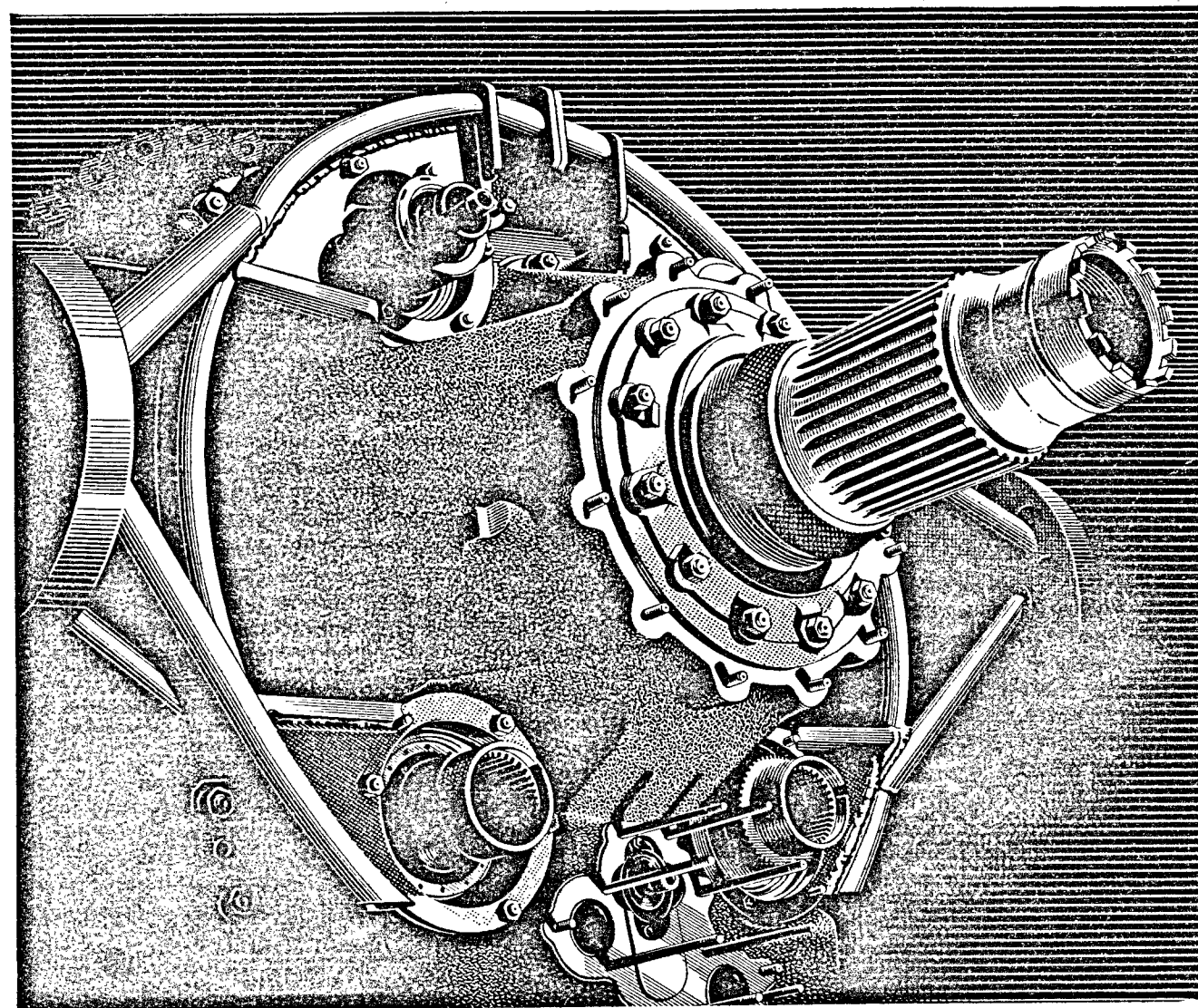
The Note points out that the Anglo-Soviet Treaty of 1942 and the Franco-Soviet Treaty of 1944 still exist and states that the Soviet Government is ready not only not to weaken its obligations under these, but also to consider "new possibilities for ensuring security in Europe." The Soviet Government believes that European security can only be assured by the joint efforts of the four powers to observe the principles and aims of the Potsdam Agreement on Germany. It also believes that until an all-German Government is formed it is impossible to hold truly free all-German elections.

American Bases

The Note then goes on to state that it is impossible to separate the German problem from that caused by "the ever-widening network of United States military bases on the territories of certain European states." Since these are mostly being created in regions bordering the Soviet Union and the "people's democracies" it is clear that they are intended for aggressive purposes. The recent agreements on American bases in Greece and Spain are specially mentioned; the Note also refers to open pressure being put on other states, particularly Iran, to make their territory available for bases. The Note concludes that there is a growing threat to the security of the Soviet Union and that the solution of the German problem "is inextricably bound up with the decision of the question of the liquidation of these military bases."

The Soviet Note then asks for a clarification of the western powers' attitude towards the ratification of the EDC and the Bonn agreements, because if they intend to put these agreements into force this would "make impossible the restoration of Germany as a unified state" and would render any four-power discussions of the German problem "pointless."

Finally the Soviet Note proposes: (1) a five-power meeting of foreign ministers "to examine measures for the reduction of tension in international relations"; and (2) a four-power conference to consider the German problem "including all the questions advanced during the course of the preparations for the conference." The Note repeats the former Soviet proposal that the Austrian treaty should be discussed through normal diplomatic channels.



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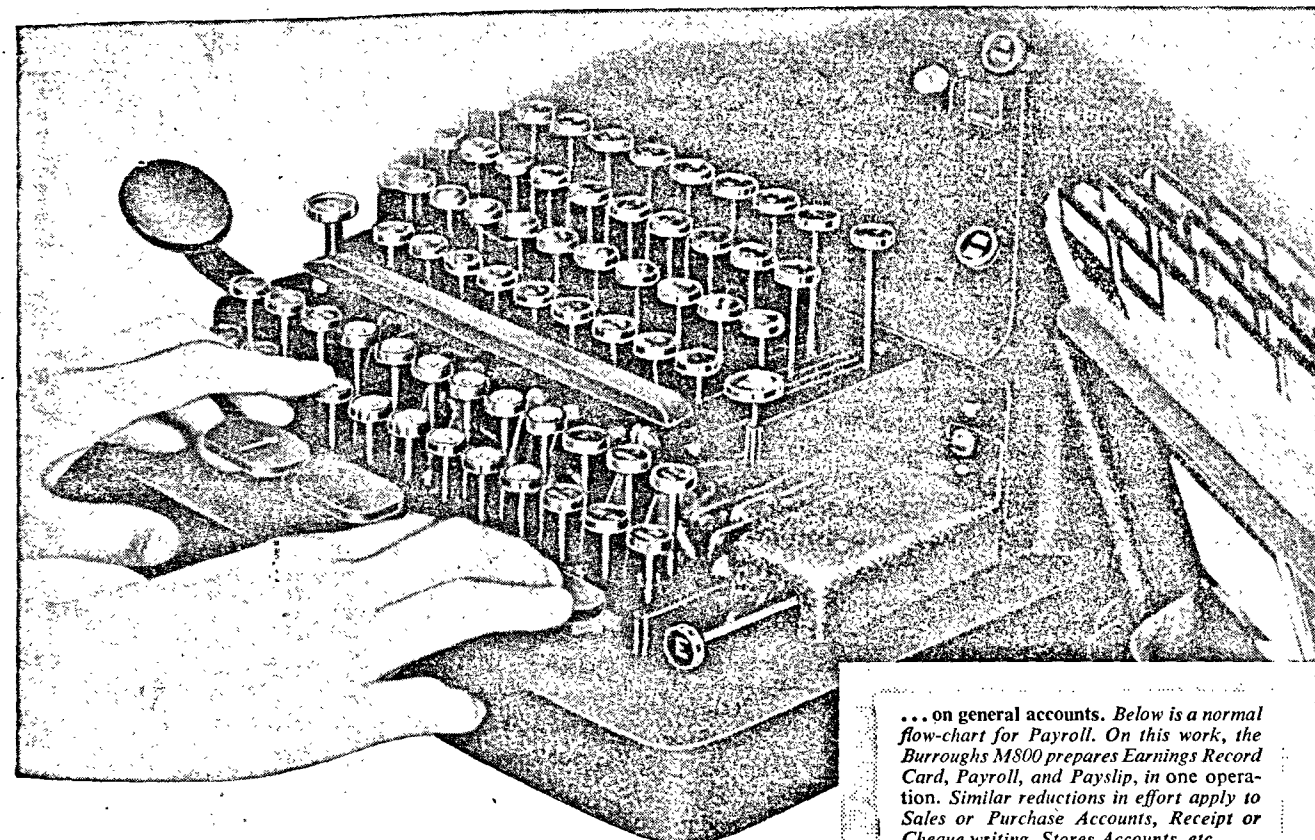
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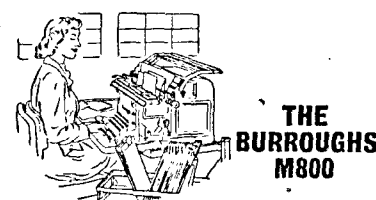
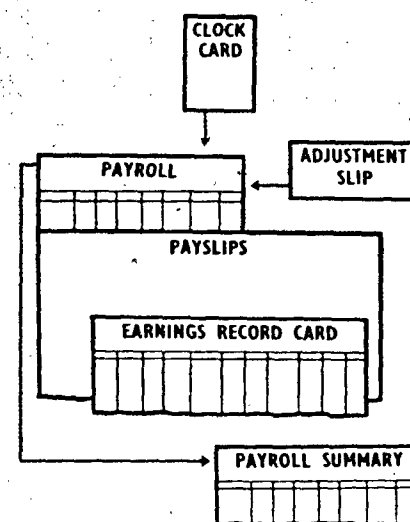
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THE BUSINESS WORLD

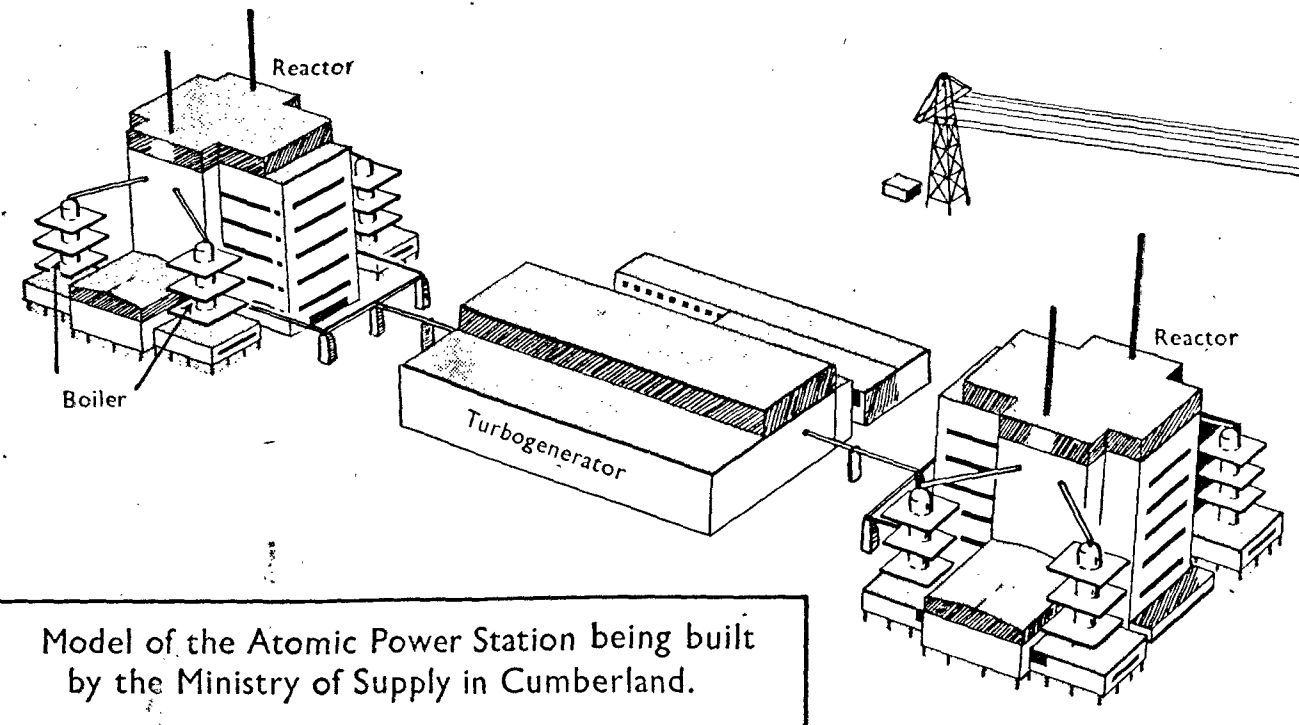
Franchise for Atomic Energy

THERE is a pleasing elegance of style about the Government's White Paper on atomic energy which suggests that it was not drafted in haste; and its silence on several important points must be taken to mean that many aspects of policy have yet to be agreed. Briefly, the White Paper sets out to describe the kind of organisation to which the Government has decided to entrust the development of atomic energy, without going into too much detail about how it will do its work. It is to be "a non-departmental organisation with the necessary executive power, within the framework of an approved policy and under a financial ceiling, to settle day-to-day problems." The Government's proposals follow the suggestions of Lord Waverley's committee which was appointed last March to work out a scheme for transferring the control of atomic energy from the Ministry of Supply to some new organisation. For reasons of security, only a summary of the report's main recommendations has been made public; the suppressed portion may contain some of the "hard reading" to which the Prime Minister referred last week, for the White Paper itself is not dismayingly difficult.

The Minister responsible to Parliament for the new organisation will be the Lord President of the Council, at present Lord Salisbury. He will also be chairman of a Ministerial committee representing the departments interested in the development of atomic energy. The transfer of responsibility for atomic energy from the Ministry of Supply to the Lord President will take place on January 1, 1954; but new legislation to amend the Atomic Energy Act of 1946, and possibly the Radioactive Substances Act of 1948 also, will be needed before the corporation can come into being. The White Paper endorses the suggestion that the control of atomic policy will remain a matter for top government decision for many years, and the new

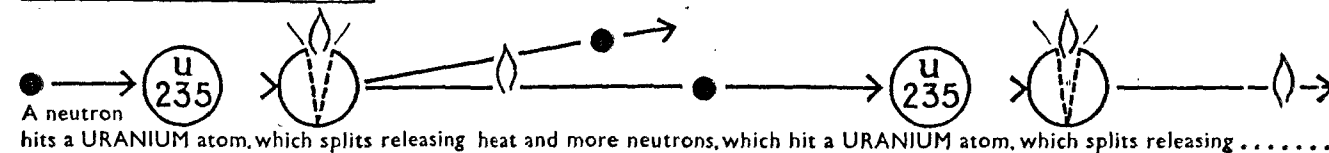
corporation will not enjoy a degree of autonomy comparable with the relative independence of the nationalised industries. The corporation will be managed by a chairman who will also be the managing director; the appointment of Sir Edwin Plowden to this post can be welcomed without reservation. The high reputation that he has earned, among Ministers of both parties and among permanent civil servants, as adviser on economic policy should not be allowed to obscure the fact that he rose during the war to be Chief Executive of the Ministry of Aircraft Production. The problems that will confront the Atomic Energy Corporation have a family likeness to those of MAP: to draw the proper line between projects that must be kept in Government hands and those that can be entrusted to outside enterprise; to master the technique of the development contract; to keep the supply of raw materials in phase with productive capacity; and to strike the right balance between speed and soundly based progress. There will be four whole-time directors responsible respectively for engineering and production, for weapons, for research, and for administration and finance. The three atomic knights, Sir Christopher Hinton, Sir William Penney and Sir John Cockcroft, who already carry out the first three functions under the Ministry of Supply, present themselves as obvious candidates. In addition, there will be two part-time directors without special technical functions—the number might with advantage be raised to three—to act as counter-weights to the scientists.

The corporation's expenditure is to be met by an annual vote by Parliament to the responsible Ministry. For the first time, therefore, some idea of the scale of investment in this new industry will emerge. Hitherto, expenditure on atomic development has been concealed in the vast depths of the Ministry of Supply's research

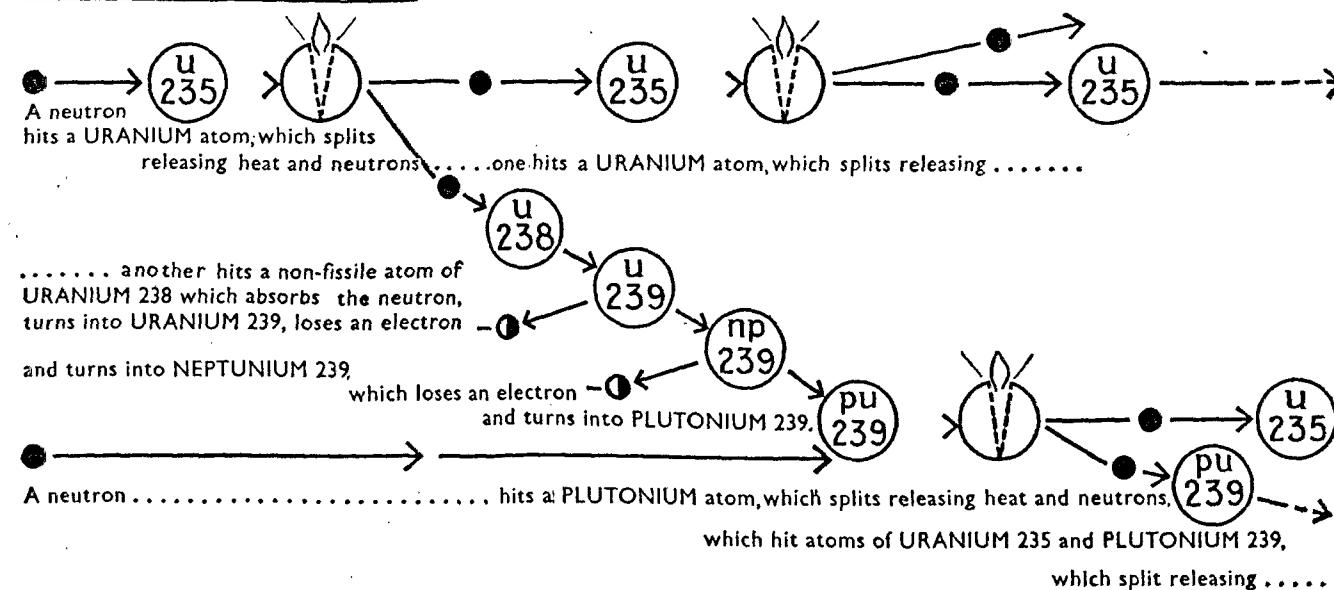


THE ELEMENTS OF ATOMIC FISSION

CHAIN REACTOR



BREEDER REACTOR



and development vote; it was possible for the Labour Government, during six years of office, quietly to spend £100 million on atomic energy without Parliament or the country being any the wiser and no doubt the Conservative Government has been spending on a similar scale. Lord Waverley's committee recommended that the corporation's estimates and spending policy should be approved in advance, and that the Comptroller and Auditor General should audit its accounts; but once the estimates had been approved, the corporation should be given "freedom to conduct its affairs, including the execution of large capital projects, in a business-like way" which involved giving it "rather more flexibility and discretion in respect of capital expenditure than is usual with Government departments."

These recommendations go as far as they reasonably could to give the corporation freedom from day-to-day Treasury interference in its financial arrangements without flouting the accepted accounting procedures for a body dependent upon an annual Parliamentary grant. The corporation cannot be a wholly independent industry; but it can be run more like an industry than like a Government department, and a permanent, non-scientific and non-political head will secure that full-time attention to its affairs that could never be guaranteed while it was one division of a large Ministry. Whether its work will be impeded by the requirement that it must work on an annual budget, surrendering unspent balances at the end of each year, remains to be seen. It is certainly impossible to budget on an accurate yearly basis for a capital investment programme spread over a number of years, and to expect the new corporation to do so hardly seems calculated to aid it to conduct its affairs "in a business-like way."

★

The White Paper is wholly concerned with the relations between the corporation and the Government and with the need to combine government control of policy with freedom to operate atomic energy on business, not departmental, lines. It throws no light on the prospective relations between the corporation and industry; nor does it examine the crucial question whether private capital may eventually be allowed to participate in atomic development. It ranges into a future when the exploitation of nuclear energy may come to be regarded as "the most important step taken by man in the mastery of nature since the discovery of fire"—to which a cynic might reply that it did not take a public corporation to rub two sticks together. A reference in the White Paper to the need for closer contact and co-operation with industry, including the nationalised industries, is open to several interpretations. It might mean that the corporation would control research and development and co-opt industry for what might be called the non-atomic extensions of its work. Or it might mean that industry would on occasions act as the corporation's agent, working for a development

contract or a management fee with capital provided out of the corporation's annual grant. Finally, it could mean that opportunities might arise for investing private capital in research and development, and ultimately that industry might own atomic reactors and produce fissile materials independently of the corporation.

★

The meaning of "co-operation" has no doubt still to be decided. But it cannot be postponed indefinitely, for the first atomic power plant is already under construction in Cumberland. The sketch opposite shows what it will look like; it will work on the "simple" chain reaction principle, illustrated in the diagram. A second plant working on the more complex and more economic "breeder" principle (difficult to illustrate in a two-dimensional diagram) which produces fissile fuel from non-fissile materials is also to be built experimentally. The British Electricity Authority have a number of engineers working in Cumberland with the Ministry of Supply; the layout of the Cumberland plant suggests that BEA could either buy electricity from the plant, or buy steam from the atomic reactors to use in its own turbogenerators.

The part that the electricity authorities can play at this stage is likely to be small. If the experimental power plant in Cumberland proves successful, it would not follow that an atomic power programme should immediately be put in hand. The purpose of the Cumberland plant is twofold: to produce plutonium, of which extra supplies are badly needed; and to obtain operating experience of atomic reactors harnessed to generate power. The total supply of energy from this station to the grid is expected to be about 40,000 kW, which is well under half the output of an average coal-fired station. Sir Christopher Hinton has estimated that, without making any allowance for the value of the plutonium produced in the reactor, the price of the electricity should be in excess of the cost of generation at a conventional power station—which is about one halfpenny a unit—but this can only be a conditional estimate at this stage.

Since the cost of coal to the power stations has been rising steadily, scientists take a more sanguine view of the prospects for atomic power generation than they did a year or so ago. The argument is also gaining ground that a shortage of coal will compel Britain to turn to atomic power for marginal supplies of electricity, regardless of cost. But the high cost of coal can at least be partly offset by improving the efficiency of power generation and distribution, as BEA is doing. To assume that lack of coal will make atomic power inevitable is one sure way of creating a coal shortage. And to encourage the development of atomic power without reference to economic costs is not the right way of embarking on this great enterprise.

Whether the generation of electricity from atomic power can become economic until "breeder" reactors have been developed is a matter for conjecture. These

plants, which create fissile fuel out of normally non-fissile materials at a faster rate than they are used up, are in the early stage of development, and more will need to be learned about them before they can be safely run. Until then, electricity produced from atomic power will be a by-product of plutonium production, and its "cost" will be a matter of bargaining between the Government, as buyer of the fissile material, the corporation, which owns the reactors, and the electricity authorities.

★

In the United States, the Atomic Energy Commission provided information for a number of companies, usually working in a partnership consisting of a chemical company and a public utility company, to draw up their own projects for privately owned reactors producing heat and plutonium. Estimates of the probable capital cost per kW ranged from \$350. to \$480 for typical projects. On the basis of these studies, at least one American company, Monsanto Chemicals, has become

convinced that a reactor could be designed which would not only produce electricity for as little as one third of a cent per unit (taken over a life of 10 years), but could also reduce the cost of plutonium by about \$6,000 a pound. The company's spokesmen have been pressing the Atomic Energy Commission for permission to go ahead with a privately financed project and although the Commission is showing considerable diffidence, the value of giving industry access to the information that makes possible the evolution of projects of this kind through a process of competitive emulation can hardly be doubted.

To leave the development of atomic power in this country to discussions between the corporation and the nationalised fuel industries may not, eventually, be the best way to progress. Scientists expect the capital costs of atomic power plants to fall after operating experience has been gained. Need the Exchequer carry the whole cost of these developments if private industry is prepared to assume part of the burden? These are points that deserve consideration before the new Bill is presented to Parliament.

Business Notes

Spotlight on Gilts

THE spotlight in a generally unexcited stock market has this week switched on **ACTOR**. The equity markets, given the ~~excitement~~ of recent weeks, took a little time to get their breath back after the shock of the Tube Investments announcement of ten days ago. But it is a measure of the speculative optimism that pervades the House nowadays that this disappointment—and one or two others this week—provoked only a modest setback in the industrial market generally, on profit-taking, and that the rise was actually resumed on the last day of an account. The ordinary share index of the *Financial Times*, which slipped from the peak of 131.5 reached ten days ago to 130.1 by Monday last, had climbed back to 131.1 by the close on Wednesday, the first day of the new account.

Meanwhile, the course of gilt-edged has been strongly upwards from the moment when prices broke away from the moorings supposedly established by the fixing of prices at which gilt-edged stocks could be tendered for United Steel stock. The breakaway, as noted in these columns last week, began four business days before the lists for that issue—the outcome of which is discussed below—closed on Monday last. In the six working days to last Wednesday the gains in gilt-edged stocks have ranged up to 1½, with the 3 per cent long-dated Gas Stock in the lead and War

Loan following a little behind it (with a gain of 1½ points, to 85½ gross). The suddenness and pace of this advance have to be appraised, however, in the light of the fact that market prices were virtually stabilised for the first six days after the announcement of the steel tender prices on the morning of October 27th, during which period the equity market was booming. And since both sections of the market seem to be influenced, somewhat paradoxically at this juncture, by the same spirit of rather unreasoning optimism, this sudden spurt in gilt-edged may to some extent be regarded as a natural adjustment in a spectrum of yields that had been temporarily—and most arbitrarily—distorted by the steel arrangements. But that particular distortion should surely have been smoothed out by now; over the whole period since the close on October 26th, the industrial index has risen on balance by 3.4 points (from 127.7), while rises in the long-term sector of the gilt-edged market have ranged up to just over two full points (2½ in 3 per cent Gas Stock, 1990-95).

Redemption yields on the dated stocks have in several instances been narrowed by fully 3/32 per cent, while the irredeemables, in which speculation over-reached itself after the reduction of Bank rate, have enjoyed a narrowing by about 1/16 per cent. Redemption yields in the dated group are now well below the lowest point reached in September (and substantially below the yield basis ruling on the eve of the first rise in Bank rate, two years ago) whereas the flat yields on Old Consols (£3 17s. 5d. per

cent) and on War Loan (£4 1s. 7d.) are only roughly restored to the levels of their September boomlet—and likewise are only just below their levels of November 7, 1951. These comparisons deserve a particularly close scrutiny by those of the market's optimists who are still watching the Bank rate notice-board week by week. There is not, of course, any directly consistent or "normal" relationship between short money rates and yields on long-term stocks; but, if the scope for variation in this relationship could be left out of account, it would appear that gilt-edged prices now discount a reduction of Bank rate not merely to the 3 per cent level that a diminishing band of optimists predict for the early future, but actually to the level at which it stood—inert and almost forgotten—before Mr Butler brought it into service over two years ago.

United Steel Success

THROUGHOUT the week, the market has been indulging in enjoyable guesswork about the success of the United Steel Companies offer. The only official information issued by the Realisation Agency after the lists closed last Monday afternoon, stated that "a large number of applications" had been received; they were being examined, and the basis of acceptance would be announced "as soon as possible," but the volume of applications was such that the posting of letters of acceptance was not expected until this weekend. During the week, estimates of a double subscription for the 14 million shares on offer—which would have indicated a very satisfactory response—have been set aside by suggestions of a three-fold subscription, with an attractive opening premium to follow.

On this rising tide of enthusiasm, aided by a favourable wind from the gilt-edged and industrial markets, the United Steel offer has sailed home with outstanding success. Given in addition the technical complications of the issue—with preferential consideration for former shareholders and the elaborate arrangements for tendering a number of specified Government stocks in payment for United Steel shares—a delay of some days in working out the basis of acceptance and issuing the letters can be understood. It remains to be seen, when dealings open (presumably on Monday) how extensive the "staggering" of the issue has been. A sizeable premium—and there has been increasing expectation of a shilling or two rather than a few pence—might bring out a considerable volume of selling. But one effect of an over-subscription on this scale will no doubt be to leave the institutions with allotments of United Steel shares more in keeping, in some cases, with their ideas of a conveniently sized holding and the readier to participate in future issues. Perhaps the best measure of success for this first offer of steel shares will be the maintenance of a modest premium after the "stags" have drunk their fill; certainly the United Steel offer allowed sufficient time and opportunity for any investor who wished to obtain a holding to do so. The expectation of a continuing high demand for these shares—as distinct from a steady investment interest—could for this reason be easily exaggerated, particularly with other steel issues to follow. Whether, with only five shopping weeks to Christmas, the second offer can be squeezed in is now becoming doubtful.

Ban on the Bids?

THOSE who put their trust in take-over rumours have been dining out this week. On Tuesday they surged into Savoy Hotel shares, which rose 5s. 3d. to 50s. 6d.; but came out the next day following a denial from the directors (which sent the shares down by 2s. to 48s. 6d.) and went off instead to the Ritz (sending the shares up from 20s. to 25s. 7½d.). They came out of Criterion Restaurants (shares down by 1s. to 7s. 6d. on Wednesday) after the news that Mr Forte had withdrawn his offer of 9s. for each share, but were still looking round hopefully for certain breweries, stores, land agencies and docks. While all this was going on, the whole question of the propriety of these bids boiled up again in the press. The flame was lit by a letter to *The Times* at the end of last week from Lord Hacking, who came very close to suggesting that any operation that led to any change of control over any company left sober managements "exposed to adventurers and speculators"; this plea for security of tenure for existing directors was promptly taken up by the left wing press, which, excited by anything called an attack on speculation, thought it saw something progressively pink in a proposal that was really blue. Lord Hacking's attack on the bids was backed up in a much more moderate form in another letter to *The Times* by Mr Lionel Fraser at the beginning of this week; but it has since been very ably countered by three further letters to that newspaper, including an exceptionally cogent contribution from the new Lord Linlithgow.

There is not one problem here, but four. The first is that some take-over rumours have been false, and a few may have been deliberately cultivated by speculators who wish to unload their existing holdings of the shares concerned at a profit; if so, they can only unload these shares onto other speculators who are foolish enough to believe their tall stories, and there is no real reason why legislation should be enacted to protect one species of fly-by-night from another. The second problem is that some genuine business interests that are willing to buy up existing companies—if necessarily at a price above current market values—have not unnaturally tried first to buy more of their shares that are on offer at current market values. In the process they have resorted to quite legitimate subterfuges (by buying through different brokers and in the names of different nominees) in order to avoid turning the market against themselves. Once again, it seems a strange doctrine that legislation should (or indeed could) be introduced to prevent people who are willing to buy shares at a high price from buying some of them first at a low price, if anybody is willing to sell.

Speculation or Stagnation

THE third, and much more vital, problem is that much existing property and equipment is being wastefully used in the least profitable forms of venture under the control of inefficient boards of directors; in consequence the shares of these companies stand at a price far below the real value of their underlying assets. It would be a major national tragedy if any steps were taken to make it more

difficult for abler interests to buy control of these companies and divert their resources into more productive and profitable fields. The fourth problem, however, is that some share values stand below their underlying assets values not because those assets are being unprofitably employed but because the existing directors are following conservative dividend policies. It would be unfortunate for the country if fly-by-nights gained control of these companies and then adopted a distribution policy that was more generous than the long term interests of the company demanded, or if their activities should cause existing directors to defend their jobs by doing the same thing. Such manoeuvres, however, can only lead to a gain in capital values for the speculators if some investors can be found to buy shares at a price that is inflated above their true long term worth by generous short term distribution policies. Current taxation policies (especially the misleading system of depreciation allowances) may encourage investors to make this mistake, just as the moral muddles of "patriotic" dividend limitation encourage directors to make the opposite one. But it is much better to allow the brute forces of the market to teach both some investors and some directors the error of their ways than to run any risk of freezing the pattern of industrial control. That way lies industrial stagnation.

Aquarium for the City's Zoo

ON Monday morning next, for the first time in its hundred and fifty years existence upon its present site, the London Stock Exchange will be on view to the general public during business hours. The long-awaited, and long-debated, visitors' gallery will then be opened to the public, and will thereafter be available to anyone—without charge and without prior application—on all normal business days between 10.30 a.m. and 3 p.m. Completed early last week, only six months after a referendum had sanctioned the project, it has since been visited by members and their friends and by the press; and the consensus of opinion, even among members who had formerly questioned the wisdom of this breach in the traditional closed door, seems to have been one of almost unqualified approval. The view from the gallery, which has been skilfully positioned to command as much as possible of the trading floor, gives an excellent impression of the Stock Exchange at work. In the interests of public safety—and possibly also of the dignity of the House—the viewing front of the gallery is screened with plate glass. Any high jinks in the markets will be seen rather than heard, and would-be eavesdroppers upon members' anecdotes will go unrewarded; they will do better in their clubs. But this sensible device has already inspired an apt christening of the addition to the City's zoo; to members, with their worm's-eye view from the floor (or should it be bull's-eye?) the gallery is the Stock Exchange "aquarium." The public should not deduce that only queer fish need attend; there is much to be learnt, and much of interest to see, from a visit to this new City viewpoint, and it is to be hoped that it will steadily grow in popularity.

It is to be hoped, too, that the Stock Exchange itself will regard this move as only the beginning of the fruitfully promising policy of the open door. The attraction of the

gallery, with its invitation to the public to explore the supposed "mysteries" of the temple of finance, should give an unparalleled opportunity to explain the real purpose of the stock market in the life of the community. A tastefully designed ante-room with wall-charts does indeed try to tell a little of the story. When and if space permits, this particular effort ought to be extended; and it may be desirable, too, for the senior "waiters," who will normally guide the visiting public, to be supported by more widely knowledgeable officials—or from a roster of members themselves. But an excellent start has been made. It is not every Stock Exchange chairman who is privileged to see the fruits of his work enshrined in the authentic marble of the House; Sir John Braithwaite can enjoy this privilege in the knowledge that it carries with it a general acclaim of his efforts.

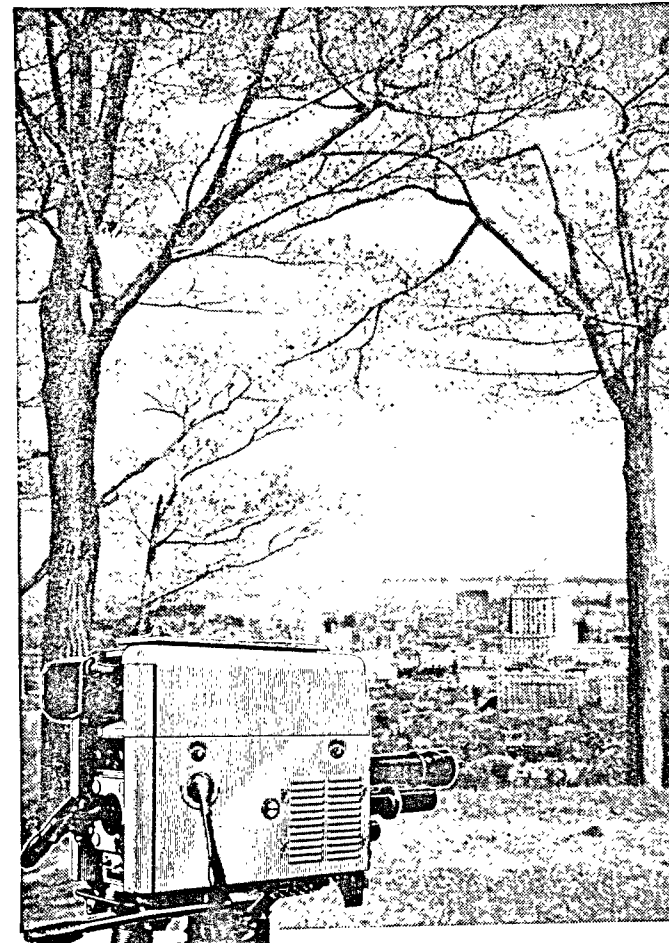
Warning the Optimists

THE debate on the Queen's Speech was a political rather than an economic occasion. The Chancellor of the Exchequer spoke twice—on Friday in the disappointingly general debate on the economic situation and on Monday in the debate on an opposition amendment that implied that the Government was plotting to allow agricultural prices to fall too low; on Wednesday, when the debate was on an opposition amendment that declared that the Government had allowed food prices to rise too high, both sides found it more consistent to put up a different team of speakers. The flood of economic statistics that gushed over these three debates—on the trend of the price and production indices, on past and prospective receipts of American aid, on the terms of trade and performance in export markets—added nothing to the store of knowledge; all the statistics had been published before, although most speakers showed great ingenuity in the choice of base dates—in order to show that their own side had been very able and the other side very lucky.

The most significant feature of Mr Butler's speech on Friday was his response to Mr Gaitskell's criticism that too much of this year's increase in production has gone towards consumption and too little towards investment. The Chancellor stated flatly that if increased consumption threatened inflation or interference with exports, then he would "be quite firm in dealing with it"; but he honestly did "not think that that state has been reached." He declared that investment was now "creeping up," but had had to be stimulated by an increase in both production and consumption; he would "watch developments in the three with a view to seeing that we get the proper investment we have now authorised in our industrial structure—investment and modernisation." This emphasis on watchfulness—together with the news that a large supplementary estimate will have to be presented for the Ministry of Food (because of the Cuban sugar purchase and losses on cereals)—led the Chancellor to warn "those who speculate about the budget" that he thought "they would be wrong to take too hopeful a view."

When he turned to external affairs, the Chancellor implied that the main topic to be discussed at next January's Commonwealth conference at Sydney would be the oppor-

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tunity for overseas investment; about convertibility he said only that the necessary pre-conditions "are not yet fulfilled," and he was strangely defensive about the recent liberalisation of imports from Europe (without it, he believed, OEEC and EPU "would not have held together"). When questioned about the dangers of American recession, Mr Butler frankly wriggled. He said that he had had the opportunity of going to America and having a look for himself, as well as of hearing what other people thought of the prospect; but it was not for him "to comment upon the economic affairs of another nation." Meanwhile "without knowing what may arise, the forward outlook is not exactly set fair, but is settled from the point of view of the balance of payments." It was not clear whether the description "settled" was meant to be a meteorological metaphor or to imply a sorrowful belief in pre-destination.

More Money for the Airlines

THE borrowing powers of the two air corporations are being increased to meet their capital investment programmes. A bill to raise the borrowing limit of British Overseas Airways Corporation from £60 million to £80 million, and that of British European Airways from £20 million to £35 million, received its second reading on Wednesday. Introducing it, the Minister of Transport said that the two corporations expected to spend a total of £77 million, mostly on new aircraft, during the next four years. BOAC has so far borrowed £40 million, and further capital expenditure contemplated amounts to £63 million. BEA has borrowed £16 million to date and expects to spend a further £14 million. The bill is expected to meet requirements until 1960.

These limits provide little or no margin for any additions to their programmes that the corporations may decide to undertake. One open question is whether BOAC will decide to make a firm bid for the three Princess flying boats now offered for sale—and, if so, whether it would be at the expense of cancelling orders for other aircraft. Since the Ministry of Supply suggested that suitable engines could be found for the three completed or partially completed Princesses, both BOAC and an independent operator, Aquila Airways, have shown interest in buying them—at bargain prices and under certain conditions. Aquila's bid is subject to the company's being given a licence to fly the Princesses on certain long range routes already operated by BOAC, which would involve a reversal of present government policy by which BOAC has exclusive rights on all passenger routes already developed, apart perhaps from cut-price "colonial coach" flights.

There may be some purpose in developing routes that can be operated by seaplanes, and the Princess is the only seaplane of size on the market. But BOAC's results for the first half of the financial year raise the question whether it would be justified in undertaking the additional expense of developing seaplane services. Its profit, after meeting all charges, for the peak months April to September was only £123,000, or 1.6 per cent smaller than in the same period of 1952. Such earnings are unlikely to be sufficient to cover the leaner period of the winter months when traffic

is at its lowest. It attributed these disappointing results to the influx—and subsequent exit—of coronation visitors. With aircraft flying fully laden one way, but partly empty the other, the corporation's average load factor fell from 65.9 per cent of capacity offered for sale in the first half of 1952-53 to 64 per cent. As BEA's figures for 1952-53 had shown, busy traffic alone does not guarantee a satisfactory profit; balanced loads are no less important for financial success.

Tobacco Comes First

TOBACCO is the first of the surplus American commodities to be sold to Britain for sterling under Section 550 of the Mutual Security Act. The sale of \$20 million worth has now been confirmed in London, bringing Britain's total purchases from the 1953-54 American tobacco crop up to \$80 million; previously the Treasury had cut its allocation for purchases from this crop to the equivalent of only about eight months' normal requirements (thus spending some \$60 million against about \$85 million in 1952-53), and had intended the shortfall to be made good from stocks. The new purchase, therefore, meets the requirements of Section 550 in that it will not displace America's normal sales of tobacco to Britain, nor those of other "friendly countries." Nor could there have been any difficulty in ensuring that prices were "consistent with maximum world prices of like commodities of similar quality." The American tobacco auctions will be over soon, and this evidently explains why the sale was not held up until agreement had been reached on the other commodities under discussion.

The total value of commodities coming to Britain under Section 550 may be between \$40 and \$70 million, according to a recent Treasury communique. It seems likely that only tobacco and foodstuffs will be involved. Presumably cotton is being excluded because sales of it could be represented by Brazil and other countries that grow American-type cotton as unfair dumping, and grains appear to have been ruled out for the same reason. American beef should be eligible—if agreement can be reached on price—and lard would certainly be welcome, not least because it would assist derationing; but American butter may run into difficulties because it has a higher moisture content than is allowed by British law, and because the price the Americans would be likely to ask might be much higher than Britain pays Dominion producers. The Treasury communique revealed that one of the main obstacles to agreement—the argument about the use to which the United States would put the sterling received from these sales—had been cleared.

International Banking Survey

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The money will simply be handed back to Britain and written off against the defence programme in the same way as the sterling counterpart funds to ordinary defence aid. If so, the transaction should be regarded as a free gift of tobacco; but it still differs from ordinary aid transactions, which are free gifts of dollars from Britain to use—within certain broad limits—as it pleases.

Funds for Films

THE Government's bill to extend the life of the National Film Finance Corporation has a sting in its tail. Since it was set up in 1949, the Corporation has lent a total of £8 million to the film industry to finance production; of this, it has received back only £2 million. Expenditure in film-making is concentrated into a few hectic months whereas the receipts from a completed film come in over the years, so rapid repayments were not expected. Nevertheless, the chances that the Corporation might recover a significant proportion of this money have become so unlikely that the Government has made provision in the new bill for the Corporation to accept shares or debentures in any borrowing company in lieu of repayment. Whether in these circumstances the Corporation will qualify for representation on the board of the borrowing company will probably depend on the relative size of the amount in question.

The bill provides for the Corporation to borrow up to £6 million from the Board of Trade to make loans during the three years from March, 1954, which it can supplement, up to £2 million, by borrowing from non-Government sources. The Corporation's accounts to last March show that during each of the past two years it has assisted the production of more than 75 films, lending for this purpose between £1.2 million and £1.5 million annually. The Corporation's report concluded that "if present trends continue, repayments during the coming year should keep pace with advances." The provisions of the new bill for the take-over of shares, which will be used only when repayment would seriously disrupt the working of the company, may apply more to the Corporation's older bad debts than to its future commitments. The biggest of these is a £3 million loan to British Lion as working capital. None of this has been repaid, and the Corporation reported that up to the end of March it has not been possible "for a programme of repayment to be prepared."

Financing Aircraft Exports

AIR FINANCE, LTD., the new institution for the finance of aircraft exports, whose formation by three leading London merchant bankers, in conjunction with the Finance Corporation for Industry, was recorded in *The Economist* of September 12th, has now given some details of the methods by which it proposes to do business. The company will not hold itself out as open for direct and separate negotiations with prospective overseas purchasers of British

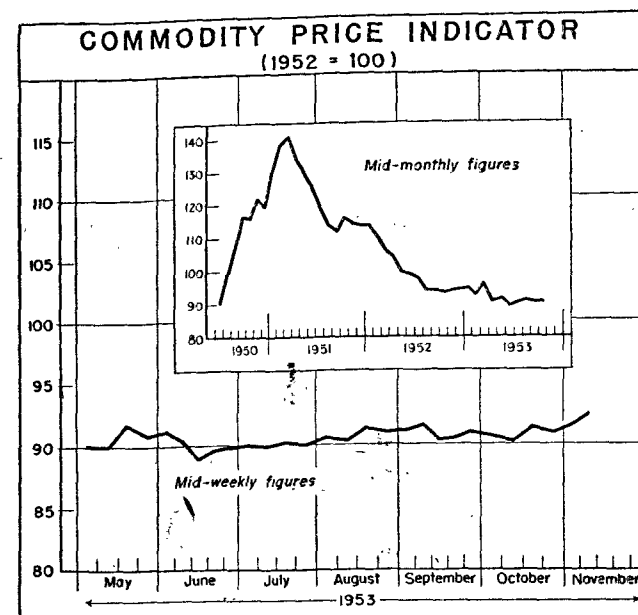
aircraft, but, contrary to the first expectations, will in all cases deal with the exporter. This seems to be a sound principle, for there is no intention that aircraft exports shall be sold on credit unless it is clear that credit terms are necessary to enable the sale to take place; nor are the company's facilities intended to displace other and more normal forms of finance—and, in particular, the finance that the aircraft manufacturer may be able to provide himself. These conditions could not be satisfactorily met unless the company's negotiations were conducted in all cases with or through the manufacturer, but the announcement makes it plain that overseas operators—the prospective purchasers—may usefully address preliminary enquiries to the company if they think fit.

When the terms of credit have been agreed between the three parties and the finance has been arranged, it is clear, however, that the purchaser will become the primary debtor to the company—and, indeed, will be the sole debtor to the extent of the portion of the liability that is covered by a guarantee of the British Export Credits Guarantee Department. Such guarantees will normally be required for all foreign orders, and will be arranged by the company. The procedure will be for the seller to draw a series of bills on the buyer for varying dates for the amount of the credit plus the commitment commission charged by the company and the commission payable to the ECGD; the bills drawn for the portion of the total that is covered by the ECGD guarantee will be specifically without recourse to the drawer, but on the remaining portion, not so covered, the drawer will remain at risk in the event of default by the purchaser. The bills will be discounted and retained in portfolio by Air Finance, Ltd., and the proceeds will be paid to the manufacturer to make up, with instalments paid to him in cash by the buyer, the full value of his order. The company will ordinarily expect manufacturers to induce their customers to pay approximately 60 per cent of the order on or before delivery, so that the credit will extend to only 40 per cent. It is also intended that the credit period shall not usually exceed three years. These are conservative terms; but it is to be hoped that the technical quality of British aircraft will ensure that Britain can command any worthwhile business without the need for any more liberal facilities. The balance of payments is certainly in no state to support facile long lending even for the purpose of pushing aircraft into overseas markets.

Advance in Commodities

AFTER nearly six months of approximate stability, commodity prices as a whole are beginning to show signs of advance. As the accompanying chart shows, *The Economist* commodity price indicator has risen in the last four weeks from 90.5 to 92.1 (1952=100). Most commodities have contributed to this improvement. Prices of raw jute and cocoa have led the field. All the base metals have risen in price, though they are now a shade below their best levels of recent weeks. Copra and cotton have risen slightly, and even rubber has bobbed up by a farthing or two. Prices of wool and coffee have remained firm at a high level, but sugar has continued to sag and wheat prices have been mixed: Chicago futures have risen by some 5 cents a bushel

to \$1.99, but Canadian Northern Manitoba Wheat has dropped by about eight cents to \$1.90. Though commodity prices in general withstood the seasonal decline of activity in the summer, the present modest advance can be regarded as a somewhat belated response to autumn revival. It has



no doubt been helped by the belief that the prospect of an American recession seems less imminent than it appeared to be a few months ago. But all apprehension will have to be swept aside before prices can advance very far.

Seasonal Rebound in Exports

BRITISH exports staged a welcome rebound in October from the low level of the previous two months and imports showed only a moderate increase. The provisional trade figures put the estimated value of exports at £227.7 million (f.o.b.), compared with £202.2 million for Sep-

(£ million—monthly average or calendar month)

	Imports c.i.f.	Exports f.o.b.	Re-exports f.o.b.	Visible deficit
1952 Year	290.1	215.1	12.0	63.0
1953 1st quarter....	272.4	208.5	10.0	53.9
2nd "	291.7	210.0	8.0	73.7
3rd "	274.8	211.6	8.5	54.8
October*	279.9	227.7	9.3	42.9

* Provisional figures.

tember and a monthly average of £211.6 million for the third quarter. Re-exports also rose sharply to £9.3 million, compared with £8 million in September and a third quarter average of £8.5 million. To a large extent, the recovery

in exports last month must reflect the seasonal expansion of trade and industrial output. On an average working day basis, total exports rose to £8.8 million in October from £8.1 million in the previous month and £8.3 million in August, but they were still slightly below the average of £9 million for July, which also had 27 working days.

The rise in imports was probably wholly seasonal. At £279.9 million (c.i.f.) in October, imports were £10.5 million higher than in September, but only £5.1 million above the average for the third quarter as a whole. The October figures include £5 million for the Canadian-built Sabre jet fighters and parts presented to Britain as a gift early this year. Similar imports in the third quarter amounted to £8 million a month. The recovery in exports and the much smaller rise in imports reduced the gross visible trade deficit by £16.3 million to £42.9 million in October. This was well below the monthly average in each of the previous three quarters, and only £1.4 million above the low average of the fourth quarter of 1952.

Exports to the United States in October, at £13.6 million, were slightly below the level of the previous month, but they remained commendably close to the peak averages of £13.9 million a month in the first and second quarters of the year. Exports to Canada rose by £1.7 million to £13.3 million compared with the peak of £15.7 million reached in the second quarter and the third quarter average of £12.8 million.

SHORTER NOTES

The members of the trade mission to the Middle East have now been appointed and the mission will leave in a few days' time under the leadership of Sir Edward Benthall.

★

Coal output last week was the highest for some months; moreover the total of 4,657,000 tons was 83,000 tons higher than in the same week last year. With one exception, weekly output during the past two months has been running consistently below last year's levels. Cumulative output for the first 44 weeks of the year has reached 188.2 million tons, some 2½ million tons behind last year's output for the same period.

★

The International Bank has made its fourth public issue in the Swiss market. The issue, which has been handled by a syndicate of leading Swiss banks, offers 3½ per cent on fifteen-year bonds, and is designed to raise Swiss francs 50 million (just over £4 million).

★

October broke all previous steel output records. Crude steel production for that month achieved an equivalent annual rate of 18,462,000 tons, and there is every likelihood that the industry's output will reach 17½ million tons for the full year. Ten months' output has virtually achieved that annual figure, and production in November should show a further increase sufficient to cover the seasonal fall in December with some margin to spare.

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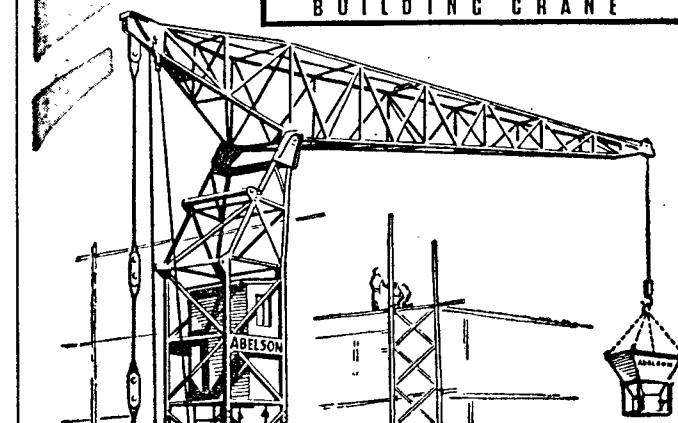
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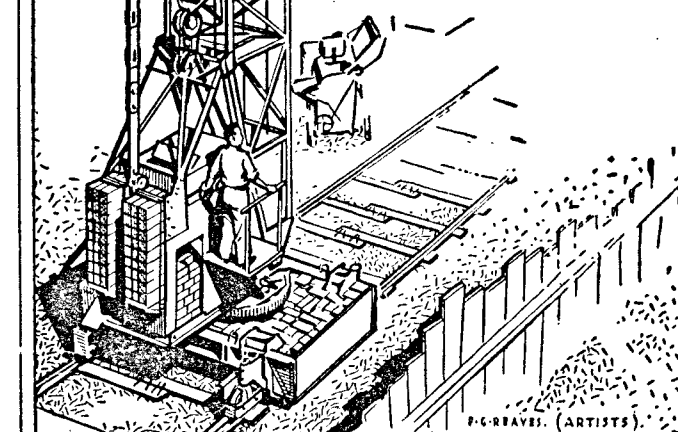
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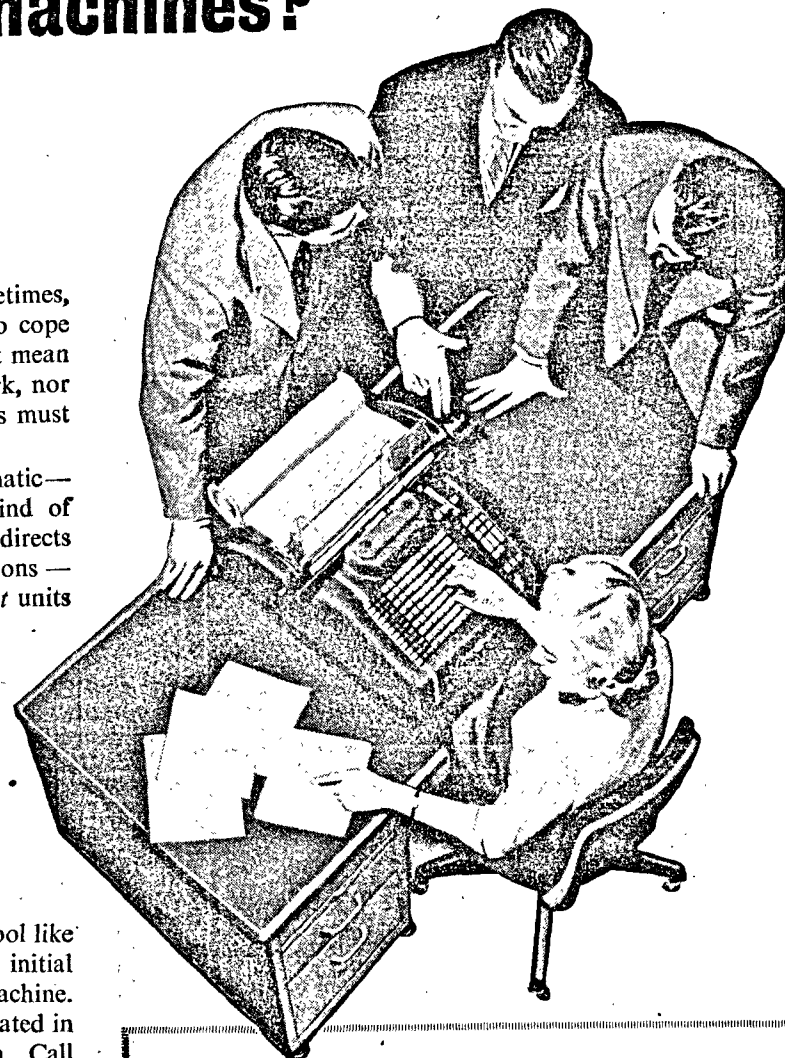
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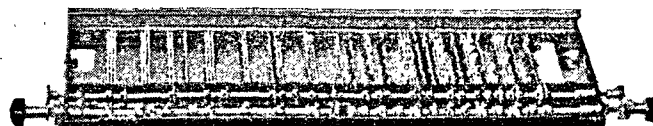
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Company Notes

BRITISH MOTOR. The preliminary reports just issued by four of the leading motor manufacturers in this country—British Motor, Standard Motor, Rootes Motors and Rover—all relate to very much the same period, the year to last July and August. They all show that profits have been more or less maintained and that equity dividends have been left unchanged. In some ways, this is disappointing, for, as the accompanying table shows, total British output of cars and taxis increased by over 16 per cent in this period, as steel became easier to obtain. But output of tractors and commercial vehicles fell, and all the companies

	PRODUCTION AND EXPORTS	
	Years to July 31, 1952	1953
<i>Cars and taxis:—</i>		
Production	450,992	524,264
Exports	363,823	286,455
<i>Commercial vehicles:—</i>		
Production	247,490	237,039
Exports	140,714	108,266
<i>Tractors:—</i>		
Production	130,433	109,412
Exports	115,672	92,018

became increasingly dependent upon the home market; in fact exports of cars and taxis in the year to July 31 last represented only about 55 per cent of total output, compared with about 81 per cent in 1951-52. It seems clear from these figures that the motor companies' profit margins were dwindling. To some extent this narrowing of profit margins reflected a deliberate decision by some of the manufacturers to cut prices as competition increased (or rather, as some would say, returned); but it may also have reflected yet another rise in operating costs.

The biggest of the four companies, British Motor (which was born from the merger of Austin and Morris Motors at the end of February, 1952) fared rather worse than the others. In the year to July 31 last it earned a trading profit

of £14,299,644, compared with an annual rate of some £17.4 million in the first four months of its existence. This "decline" in profits, however, was probably almost wholly accounted for by the labour stoppage at Austin's Longbridge factory at the beginning of this year. The company has, therefore, declared the expected equity dividend of 10½ per cent for the full year (paid on a capital of £24,131,799, as increased by the four for one scrip issue of shares last December); this compares with the 17½ per cent paid for the four months to July 31, 1952, on a capital of £4,826,360—and means that the annual rate of dividend has been effectively, though fractionally, raised from 10 2/5 per cent to 10½ per cent. The new dividend was forecast by the directors last August when they made their successful offer for the shares of Fisher and Ludlow, the motor body manufacturers. That acquisition, following the acquisition of Briggs Motor Bodies by Ford Motor, may be an even more significant pointer to the future competitive struggle within the industry than the reinforcement of reserves that British Motor, like its rivals, has been very careful to ensure.

STANDARD MOTOR. While British Motor's profits have apparently fallen, the trading profits of Standard Motor rose from £3,041,443 to £3,121,858 in the year to August 31st. Yet its 5s. ordinary shares, at the current price of 6s., offer a yield of a full 10 per cent, compared with a yield of 7½ per cent offered on British Motor shares and of only just over 4 per cent offered by the equity of Ford Motor (in which a dividend increase is expected). The market is warily cognisant that Standard Motor's net earnings still provide only a very lean cover on the maintained ordinary dividend of 12 per cent;

this dividend absorbs £338,415, or nearly twice the sum that the company has ploughed back into the business.

The preliminary report, indeed, furnishes no evidence why investors should radically alter the valuation they have placed on these shares. After allowing for an increase of some £93,000 in depreciation provisions, the increase in net profits from £530,631 to £644,330 appears to have been wholly due to a fall of £105,000 in the tax bill. Moreover, the company, with its considerable interest in the production of Ferguson tractors, is perhaps more dependent than most of its rivals upon a rather volatile export market; and some fears have been expressed that it may ultimately be adversely affected by British Motor's acquisition of Fisher and Ludlow. With these doubts in mind the equity may remain rather friendless until the company's new venture—the production of a baby car—has proved itself.

ROOTES MOTORS. At the other end of the pole from Standard Motor, the maintained ordinary dividend of 32½ per cent announced by Rootes Motors absorbs only £178,750 out of a net profit of £1,069,262, and the company's 4s. ordinary shares are as high as 21s.6d. to yield only 6.2 per cent. With such an impressive cover upon the dividend, shareholders have perhaps little need to worry about the slight drop in the group's gross profits (from £3,425,697 to £3,307,335) and in net profits (from £1,098,148 to £1,069,262) in the year to July 31st. Humber, the manufacturing division of the group, has also announced a fractional decline in gross profits from £1,620,160 to £1,604,149. Although Rootes—unlike Ford, British Motor and Standard—does not intend to add a baby car to its range, it has already announced its intention to spend about £5 million on expanding production. This suggests that the policy of conservation of resources and low dividend payments may have to be continued; and those

MOTOR PROFITS AND DIVIDENDS

	British Motor		Standard Motor		Rootes Motors		Rover	
	Year to July 31		Years to August 31		Years to July 31		Years to August 1	
	1953		1952	1953	1952	1953	1952	1953
Trading profit	£14,299,644		£3,041,443	£3,121,858	£3,800,718	NS	£1,423,547	£1,454,180
Depreciation	2,362,910		911,260	1,004,019	378,408	NS	173,958	197,375
Profit, before tax	11,936,734		2,130,183	2,117,839	3,425,697	3,307,335	1,249,589	1,256,805
Taxation	8,115,722		1,205,000	1,100,000	2,270,118	2,198,086	928,316	875,003
Net profit	3,816,745		530,631	644,330	1,098,148	1,069,262	313,300	369,626
Ordinary dividends	1,393,612		323,032	338,415	170,625	178,750	133,331	Not Stated
Ordinary dividends (per cent)	10½		12	12	32½	32½	25	25
Retained profits	2,180,554		72,599	170,915	1,085,803	1,003,326	147,924	Not Stated
Ordinary Shares	s. d.		s. d.	s. d.	s. d.	s. d.	s. d.	s. d.
Nominal value	5 0		5 0	5 0	4 0	8 0	8 0	8 0
Market price	7 0		6 0	10 0	21 0	26 0	26 0	26 0
Yield (per cent)	7.5			10.0	6.2	7.6		

† Free of tax. Yield calculated on gross basis. (a) Interim dividend. (b) Final dividend. (c) Whole year's dividend. (d) Yield at 75½% of face value. (e) To earliest date. (f) Flat yield. (g) Includes 2% centenary bonus; yield basis 14%. (h) Also 2% tax free cash bonus; yield basis 18·6%. (i) 12% paid for 9 months; yield basis 16%. (j) Also 5% Coronation bonus, not included in yield. (l) To latest date. (m) Yield basis 10% after capital bonus. (o) Yield basis 8½% after capital bonus. (p) Also 5% net capital distribution, not included in yield. (q) Yield basis 20%. (r) Yield basis 15% after capital bonus. (s) Yield basis 12¼% after capital bonus. (t) Yield basis 19·7% gross. (u) Yield basis 30%. (v) Yield basis 7½%. (w) Also 2½% tax free out of capital profit. Yield basis 50%.

BRITISH		OVERSEAS	
Prices and Wages	Nov. 7th	Western Europe:	Nov. 7th
Production and Consumption	This week	Production and Trade	This week
Manpower	Oct. 24th	British Commonwealth	This week
External Trade	Oct. 31st	Western Europe:	
Financial Statistics	This week	Prices and Money Supply	Oct. 24th
Industrial Profits	Oct. 17th	United States	Oct. 31st
World Trade	Oct. 17th		

M=Monthly averages or calendar months. W=Weekly averages. Stocks at end of period.

(1) Great Britain. (2) Provisional estimate. (3) Excluding government stocks from August, 1953.

PRODUCTION OF FUEL AND POWER ⁽¹⁾

PRIMARY PRODUCTION ⁽²⁾

EXTERNAL TRADE ⁽³⁾

EXCHANGE RESERVES AND PRICES ⁽⁴⁾

(1) Petroleum production in Canada in 1938 and 1951 includes natural gasoline. Annual figures of electricity production in Australia are for 12 months ended June 30th of year stated and for New Zealand 12 months beginning April 1st; monthly figures for New Zealand represent about 87 per cent of total generation. (2) Copper production is smelter; tin is primary metal. (3) General trade (including re-exports) except for Canada, which is special trade only. Imports are c.i.f. except for Australia, Canada and S. Africa which are f.o.b. (4) Exports are f.o.b. (5) Trade for India and Pakistan includes that going by land; annual figures for India are for 12 months beginning April 1st and for Australia and Pakistan 12 months ended June 30th. (6) Gold and foreign exchange holdings are those of the government and central bank; only figures for Australia include holdings of commercial banks. Cost of living for Pakistan is based on 12 months ended March, 1949, as 100- for S. Africa relates to Europeans only. (7) Average of second quarter.

Financial Statistics

EXCHEQUER RETURNS

For the week ended November 7th there was an "above-line" surplus (after allowing for sinking Funds) of £14,890,000 compared with surplus of £8,351,000 in the previous week. The surplus of £32,541,000 in the corresponding period last year, bringing the cumulative deficit to £305,077,000 (£320,386,000 in 1952-53). Net expenditure "below-line" absorbed £939,000, bringing the total cumulative deficit to £580,535,000 (£665,751,000 in 1952-53).

£'000	Estimate, 1953-54	April 1, 1952 to Nov. 8, 1952	April 1, 1953 to Nov. 7, 1953	Week ended Nov. 8, 1952	Week ended Nov. 7, 1953
Ord. Revenue					
Income Tax	1782,250	553,950	523,380	13,318	10,580
Irish Tax	127,000	39,900	38,900	1,000	1,000
Death Duties	160,000	88,800	97,600	2,900	2,600
Amusements	52,000	29,950	32,400	1,000	900
Excise Tax & E.P.T.	214,000	238,000	125,100	8,500	6,000
Excess Profits Levy	99,500	...	41,350	...	1,300
Special Contribution	1,000	1,060	570	60	...
Other Inland Revenue	...	...	...	...	...
Total Inland Rev.	2435,750	951,660	859,300	26,778	22,380
Customs	1044,300	629,665	646,193	16,987	20,120
Excise	680,480	456,313	452,713	41,670	45,280
Total Customs and Excise	1724,780	1085,978	1098,906	58,657	65,400
Motor Duties	69,000	15,440	17,335	1,677	1,787
O (net receipts)	2,685	...	...	...	...
Roadcast Licences	16,000	6,650	7,550	...	...
Undry Loans	25,000	19,378	19,878	510	407
Miscellaneous	95,000	73,759	83,888	681	2,592
Total	4368,215	2152,864	2086,878	88,303	92,586
Ord. Expenditure					
Debt Interest	615,000	349,395	350,179	5,306	19,354
Payments to N. Ireland Exchequer	48,000	23,468	28,296	1,469	1,712
Other Cons. Fund	10,000	5,460	5,353	...	...
Supply Services	3586,286	2075,127	1987,811	48,200	55,700
Total	4259,286	2453,450	2371,639	54,975	76,766
Banking Funds	...	19,800	20,316	787	910
'Above-line' Surplus or Deficit		-320,386	-305,077	+32541	+14890
Below-line "Net Expenditure"		345,365	275,458	3,192	7,939
Total Surplus or Deficit		-665,751	-580,535	+29349	+6,951
Net Receipts from:					
Tax Reserve Certificates	103,214	179,038	1,030	6,102	...
Savings Certificates	2,400	10,550	600	350	...
Defence Bonds	37,029	32,412	519	535	...

FLOATING DEBT

Date	Treasury Bills		Ways and Means Advances		Total Floating Debt
	Tender	Tap	Public Dep'ts.	Bank of England	
1952					
Nov. 8.....	4,325.0	...	249.6	...	4,574.6
1953					
Aug. 8.....	3,290.0	1,389.0	208.1	...	4,887.1
" 15.....	3,310.0	1,414.8	225.4	...	4,950.2
" 22.....	3,330.0	1,422.7	241.8	...	4,994.5
" 29.....	3,350.0	1,407.6	229.3	...	4,987.0
Sept. 5.....	3,370.0	1,414.0	219.2	...	5,003.2
" 12.....	3,400.0	1,395.8	251.7	...	5,047.5
" 19.....	3,430.0	1,382.1	280.0	...	5,092.2
" 30.....	4,803.1	...	273.4	...	5,076.5
Oct. 10.....	4,525.5	...	245.9	...	4,771.7
" 17.....	4,552.2	...	262.2	...	4,814.3
" 24.....	4,550.4	...	264.1	...	4,814.5
" 31.....	4,538.1	...	254.9	1.3	4,794.3
Nov. 7.....	4,535.2	...	250.0	...	4,785.2

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

THE MONEY MARKET

At last week's Treasury bill tender the market maintained its bid at £99 98. 6d. per cent for the £220 million of bills on offer; total applications for this reduced offer rose from the already high total of £385.9 million to £392.5 million, and the market's allotment fell to the quite exceptionally low level of 34 per cent. This allotment, following upon the other low allotments in recent weeks, has seriously depleted the market's bill portfolios. Under the increased weight of outside competition the average rate of discount on all bills fell by just over rd. last week to £2 1s. 10.62d. At yesterday's tender the offer was increased to £230 million.

It has been a quiet week in Lombard Street. Before the week-end most houses were fairly comfortably placed for funds, and special assistance was needed only on Thursday. On Monday credit was more generally short, and small official help—given indirectly through the banks—was necessary; Tuesday saw an improvement, but on Wednesday the authorities again made special purchases, this time directly from the market.

The Bank return shows a further seasonal outflow of £5.3 million of notes. The increase of £13 million in government securities in the banking department was more than offset by a decline in other securities; but as public deposits (including the counterpart fund account) fell by £18.8 million and other accounts rose by only £5.2 million, bankers' deposits rose by £5.7 million despite the note efflux.

LONDON MONEY RATES

Bank rate (from 4%, 17/9/53)	%	Discount rates	%
4%, 17/9/53	3½	Bank bills: 60 days	2½
		3 months	2½
Deposit rates (max)		4 months	2½
Banks	1½	6 months	2½
Discount houses	1½		
Money—Day-to-day	1½-2½	Fine trade bills	
Short periods	1½-2½	3 months	3½-4½
		4 months	3½-4½
		6 months	4-4½
Treas. bills 2 months	2½		
3 months	2½		

LONDON CLOSING EXCHANGE RATES

	Official Rates	Market Rates : Spot							
		November 11	November 5	November 6	November 7	November 9	November 10	November 11	
United States \$.	2-78-2-82	2-81 ¹ / ₂ -2-81 ¹ / ₂	2-81 ¹ / ₂ -2-81 ¹ / ₂	2-81 ¹ / ₂ -2-81 ¹ / ₂	2-81 ¹ / ₂ -2-81 ¹ / ₂	2-81 ¹ / ₂ -2-81 ¹ / ₂	2-81 ¹ / ₂ -2-81 ¹ / ₂	2-81 ¹ / ₂ -2-81 ¹ / ₂	
Canadian \$.	...	2-75 ¹ / ₂ -2-75 ¹ / ₂	2-75 ¹ / ₂ -2-75 ¹ / ₂	2-75 ¹ / ₂ -2-75 ¹ / ₂	2-75 ¹ / ₂ -2-75 ¹ / ₂	2-75 ¹ / ₂ -2-75 ¹ / ₂	2-74 ¹ / ₂ -2-75 ¹ / ₂	2-74 ¹ / ₂ -2-74 ¹ / ₂	
French Fr.	972-65-987-35	979-1-980	980-980 ¹ / ₂	980 ¹ / ₂ -980 ¹ / ₂	980 ¹ / ₂ -980 ¹ / ₂	980 ¹ / ₂ -980 ¹ / ₂	980 ¹ / ₂ -980 ¹ / ₂	980 ¹ / ₂ -980 ¹ / ₂	
Swiss Fr.	12-15 ¹ / ₂ -12-33 ¹ / ₂	12-19 ¹ / ₂ -12-20	12-20 ¹ / ₂ -12-20 ¹ / ₂	12-20 ¹ / ₂ -12-20 ¹ / ₂	12-20 ¹ / ₂ -12-21	12-21 ¹ / ₂ -12-21 ¹ / ₂	12-21 ¹ / ₂ -12-21 ¹ / ₂	12-21 ¹ / ₂ -12-21 ¹ / ₂	
Belgian Fr.	138-95-141-05	140-05-140-15	140-05-140-15	140-10-140-20	140-10-140-20	140-20-140-30	140-20-140-30	140-20-140-30	
Dutch Gld.	10-56-10-72	10-63 ¹ / ₂ -10-63 ¹ / ₂	10-63 ¹ / ₂ -10-64	10-64 ¹ / ₂ -10-64 ¹ / ₂	10-64 ¹ / ₂ -10-64 ¹ / ₂	10-65-10-65 ¹ / ₂	10-65-10-65 ¹ / ₂	10-65-10-65 ¹ / ₂	
W. Ger. D-Mk.	11-67 ¹ / ₂ -11-84 ¹ / ₂	11-70 ¹ / ₂ -11-70 ¹ / ₂	11-70 ¹ / ₂ -11-70 ¹ / ₂	11-70 ¹ / ₂ -11-70 ¹ / ₂	11-70 ¹ / ₂ -11-70 ¹ / ₂	11-70 ¹ / ₂ -11-71 ¹ / ₂	11-71 ¹ / ₂ -11-71 ¹ / ₂	11-71 ¹ / ₂ -11-71 ¹ / ₂	
Portuguese Esc.	79-90-81-10	79-90-80-00	79-90-80-00	79-90-80-00	79-90-80-00	79-90-80-00	79-90-80-00	79-90-80-00	
Swedish Kr.	14-37 ¹ / ₂ -14-59 ¹ / ₂	14-43 ¹ / ₂ -14-43 ¹ / ₂	14-44 ¹ / ₂ -14-44 ¹ / ₂	14-44 ¹ / ₂ -14-44 ¹ / ₂	14-44 ¹ / ₂ -14-44 ¹ / ₂	14-45 ¹ / ₂ -14-45 ¹ / ₂	14-45 ¹ / ₂ -14-45 ¹ / ₂	14-45 ¹ / ₂ -14-45 ¹ / ₂	
Danish Kr.	19-19 ¹ / ₂ -19-48 ¹ / ₂	19-38 ¹ / ₂ -19-39	19-38 ¹ / ₂ -19-39	19-38 ¹ / ₂ -19-39	19-38 ¹ / ₂ -19-39	19-39 ¹ / ₂ -19-39 ¹ / ₂	19-39 ¹ / ₂ -19-39 ¹ / ₂	19-39 ¹ / ₂ -19-39 ¹ / ₂	
Norwegian Kr.	19-85-20-15	19-98 ¹ / ₂ -19-98 ¹ / ₂	19-98 ¹ / ₂ -19-98 ¹ / ₂	19-98 ¹ / ₂ -19-98 ¹ / ₂	19-98 ¹ / ₂ -19-98 ¹ / ₂	19-98 ¹ / ₂ -19-98 ¹ / ₂	19-98 ¹ / ₂ -19-98 ¹ / ₂	19-98 ¹ / ₂ -19-98 ¹ / ₂	
One Month Forward Rates									
United States \$.		1c. pm-par	1c. pm-par	1c. pm-par	1c. pm-par	1c. pm-par	1c. pm-par	1c. pm-par	
Canadian \$.		Par 1c. dis	Par 1c. dis	Par 1c. dis	Par 1c. dis	Par 1c. dis	Par 1c. dis	Par 1c. dis	
French Fr.		2-5 dis	2-5 dis	2-5 dis	2-5 dis	2-5 dis	2-5 dis	2-5 dis	
Swiss Fr.		1 ¹ / ₂ 1c. pm	1 ¹ / ₂ 1c. pm	1 ¹ / ₂ 1c. pm	2-1c. pm	2-1c. pm	2-1c. pm	2-1c. pm	
Belgian Fr.		1 ¹ / ₂ pm-par	1 ¹ / ₂ pm-par	1 ¹ / ₂ pm-par	1 ¹ / ₂ pm-par	1 ¹ / ₂ pm-par	1 ¹ / ₂ pm-par	1 ¹ / ₂ pm-par	
Dutch Gld.		1 ¹ / ₂ 1c. pm	1 ¹ / ₂ 1c. pm	1 ¹ / ₂ 1c. pm	1 ¹ / ₂ 1c. pm	1 ¹ / ₂ 1c. pm	1 ¹ / ₂ 1c. pm	1 ¹ / ₂ 1c. pm	
W. Ger. D-Mk.		1 pt. pm-par	1 pt. pm-par	1 pt. pm-par	1 pt. pm-par	1 pt. pm-par	1 pt. pm-par	1 pt. pm-par	
Swedish Kr.		10 pm-10 dis	10 pm-10 dis	10 pm-10 dis	10 pm-10 dis	10 pm-10 dis	10 pm-10 dis	10 pm-10 dis	
Danish Kr.		10 pm-10 dis	10 pm-10 dis	10 pm-10 dis	10 pm-10 dis	10 pm-10 dis	10 pm-10 dis	10 pm-10 dis	
Norwegian Kr.		20 pm-20 dis	20 pm-20 dis	20 pm-20 dis	20 pm-20 dis	20 pm-20 dis	20 pm-20 dis	20 pm-20 dis	

BANK OF ENGLAND RETURNS

	1952		1953	
	Nov. 12	Nov. 4	Nov. 11	
Issue Department*				
Notes in circulation	1,452.2	1,539.6	1,544.9	
Notes in banking dept.	48.1	35.7	30.4	
Govt. debt and securities	1,496.8	1,571.7	1,571.7	
Other securities	0.7	0.8	0.8	
Gold coin and bullion	2.9	2.9	2.9	
Banking Department:				
Deposits:				
Public accounts	12.7	21.0	13.9	
Treasury special account	26.6	17.6	5.9	
Bankers	283.0	281.0	286.7	
Others	67.9	69.4	74.7	
Total	390.2	389.0	381.2	
Securities:				
Government	333.7	326.3	339.3	
Discounts and advances	5.0	10.9	8.5	
Other	19.7	31.4	18.5	
Total	358.4	368.6	366.3	
Banking department reserve	49.7	38.2	32.9	
"Proportion"	12.7	9.8	8.6	

* Government debt is £11,015,100, capital £14,553,000. Fiduciary issue reduced from £1,625 million to £1,575 million on August 26 1953.

TREASURY BILLS

Date of Tender	Amount (£ million)			Average Rate of Allotment s. d.	Allotted at Max. Rate %*
	Offered	Applied For	Allotted		
1952					
Nov. 7	240.0	335.4	240.0	47 8-19	67
1953					
July 3	250.0	334.1	250.0	46 8-48	75
" 10	260.0	353.4	260.0	47 3-47	63
" 17	250.0	385.7	250.0	47 3-60	48
" 24	240.0	375.6	240.0	46 11-55	55
" 31	250.0	395.5	250.0	46 11-66	48
Aug. 7	260.0	369.6	260.0	47 3-50	56
" 14	270.0	347.9	270.0	47 4-37	71
" 21	270.0	358.2	270.0	47 4-25	67
" 28	280.0	370.2	280.0	46 8-25	77
Sept. 4	300.0	394.6	300.0	47 7-43	66
" 11	300.0	388.0	300.0	47 11-85	68
" 18	280.0	340.6	280.0	43 0-08	80
" 25	270.0	362.2	270.0	42 8-05	70
Oct. 2	280.0	348.2	250.0	42 8-09	63
" 9	250.0	359.5	230.0	42 7-36	49
" 16	230.0	367.7	230.0	41 11-57	51
" 23	240.0	353.2	240.0	41 11-67	55
" 30	240.0	385.9	240.0	41 11-37	45
Nov. 6	220.0	392.5	220.0	41 10-62	34

* On Nov. 6th tenders for 91 day bills at 99 98. 6d. secured about 34 per cent of the sum applied for; higher tenders were allotted in full. The offering yesterday was for a maximum amount of £230 million.

COMPANY MEETINGS

FISONS LIMITED

LARGER SALES AND TRADING PROFIT

CRIPPLING EFFECT OF TAXATION

MR F. G. C. FISON'S REVIEW

The sixtieth annual general meeting of Fisons Limited will be held on December 7th at Harvest House, Felixstowe, Suffolk.

The following is the Review of the Chairman, Mr F. G. C. Fison, circulated with the accounts for the year ended June 30, 1953:

Directors: Mr D. J. Bird, who has been a Director of the Company for 24 years, has been appointed a Vice-Chairman, and Mr G. V. K. Burton, one of our younger executives, has been elected to a seat on the Board.

THE ACCOUNTS

Sales for the year were £26,441,000 against £21,975,000 in the previous year. These figures include the sales of Fisons Chemicals Limited (£3,442,000). It is interesting to note that the official estimate of the cost to the farmer of fertilizers bought in the United Kingdom for these two years is:

1951-52	£54,689,000
1952-53	£63,290,000

The consolidated trading profit of the Group was £2,413,485 compared with £1,602,958 for the previous year. The additional productive capacity created by our capital expenditure during recent years became more fully employed and contributed considerably to the increased profits earned.

I referred last year to the serious effect upon industry of the present burden of taxation and to its crippling effect upon development in the chemical industry. This year we have had to provide for taxation no less than £1,650,303, compared with £808,885 last year. Included in this figure is an estimate of £316,000 for Excess Profits Levy against a provision of only £3,000 last year. The Excess Profits Levy continues in operation until December 31, 1953, so that for the year in which we are now trading half our profits will be subject to this tax.

Our cash resources at June 30th, as shown in the Consolidated Balance Sheet, were £3,592,000. The greater part of this was invested in short-dated Government Stock some of which has since been converted into cash to finance our stocks of raw materials for next season's trade.

FERTILIZERS

Last year I told you that we were planning for a considerable expansion in sales for the year 1952-53. Our forecast proved to be correct. The total sales of fertilizers in the British Isles recovered from the depressed figure of 1951-52 as is shown by the following table:

1949-50	4,316,000 tons
1950-51	4,023,000 tons
1951-52	2,740,000 tons
1952-53	4,020,000 tons (estimated).

The sales for 1951-52 proved to be con-

siderably lower than the estimate made by the Government at the time of the issue of our report last year. However, the figures for that year are of little real value as a guide to consumption because of the stock piling which took place in previous years before the removal of the old subsidy.

During the past year the new subsidy operated for the whole period and no doubt was a contributory factor to increased consumption. We well maintained our share of the total trade of the country and our triple superphosphate and high-grade compound fertilizers based upon triple superphosphate were in great demand.

As in the previous year, a substantial contribution to our profits came from our interests in Corby Basic Slag Limited and Nitrogen Fertilizers Limited. Our horticultural trade also showed a very satisfactory expansion in sales and profits.

I have no reason to think that the demand for fertilizers during the year in which we are now trading will be less than in the past year. Indeed, on the assumption that the marketing plans for agricultural products are settled in a satisfactory manner, and given favourable weather in the spring planting season, my view is that there may well be a further increase in consumption of fertilizers, and we are making plans accordingly.

FERTILIZER FACTORIES

We have continued to maintain our factories in good working order. That we were able to meet the exceptional demand in the spring of this year reflected great credit upon our Production Department, which successfully planned to make record deliveries. In order to relieve the heavy burden on our producing units, resulting from the farmer's inclination to take the bulk of his deliveries at the last moment before the spring sowing season, we have introduced a new price structure which shows considerable advantages to our customers if they order early. There is every indication that this policy is having the desired effect, and this should lead to more orderly deliveries in the spring.

Our Immingham factory operated very satisfactorily, although not at full output due to sulphur restriction. The technical improvements which I mentioned last year have borne fruit

and pursuance of this policy has, therefore, added a needless burden, small in some cases but large in others, to the costs of industry. In its larger aspect, Government policy in regard to sulphuric acid capacity, the chief point of which was to increase modern pyrites burning capacity, thus reducing excessive dependence on sulphur, was entirely correct in my view.

The capacity having been laid down, however, the country should have been enabled to take advantage of the most favourable situation as regards either of the principal raw materials; that is to say, when sulphur was available and cheap as in the past year, emphasis should have been placed on that material, whereas if sulphur becomes scarce and dear, then emphasis should be placed on pyrites. The complicated and restrictive scheme which has been forced on the industry as a result of the mistaken Government policy, does not allow us, or other major users, to take the maximum advantage of the world market situation as regards sulphur and pyrites. I very much hope that this policy will be reconsidered in the near future, and a more realistic, commercial, and liberal attitude adopted.

GOVERNMENT AGRICULTURAL POLICY

Towards the latter part of the year which I am reviewing, some uncertainty developed in the mind of the farming community in regard to Government agricultural policy. This was due to a number of factors, not the least important of which was the situation in the United States where substantial surpluses of farm produce were built up and farm income showed declines for the first time in a considerable number of years. This signalled the temporary, as I believe, end of a period of world shortages of the principal agricultural products. The Government in this country, on the other hand, wish to take advantage of favourable trading conditions in world markets, and to introduce more flexibility into agricultural marketing in this country. In spite of assurances, the farming community has become seriously unsettled, and undoubtedly fears that there may be some return to the "cheap food policy" of the inter-war years. I do not think that these uncertainties are justified, but the fact that they exist is in itself important and liable to affect the individual farmer's policy, and in consequence his purchase of fertilizers.

It would be most unfortunate, both for the country as a whole and for the individual farmer, if he were to follow his natural inclination, and to reduce his investment in fertilizers as part of a general policy of retrenchment. On the majority of farms in this country, the usage per acre of fertilizer is substantially below optimum, and there is virtually unanimous agreement amongst agricultural scientists on this point. What is not so obvious to the farmer is that fertilizers reduce the cost of producing many crops. It would, therefore, be more logical for many farmers to increase their usage of fertilizers. The Government, of course, is well aware of the value of fertilizers to the farmers and the national economy, and has encouraged their use by substantial subsidies. I do not think, as I suggested in my review last year, that this is the most effective method as changes in Government policy in this respect have an extremely unsettling effect, however temporary, on the farmer and the fertilizer industry.

I think the sphere in which the Government's initiative would be the best exercised, would be in a substantial increase of expenditure to educate the farmer where necessary in the value of fertilizers. Such education if carried out intensively is very expensive, and to further increase our own expenditure in this direction would inevitably lead to increase in selling prices, which would be

liable to criticism and misinterpretation. It is the natural reaction of the customer in the face of heavy advertising to conclude that he is paying more for the product than is necessary. This is in many cases a mistaken view, as advertising enables markets to be enlarged with a consequent reduction in costs. The view exists, however, and sets certain limits to the activities of commercial enterprise.

As I have indicated above, I do not think the Government will seek to evade its responsibilities under the Agricultural Act of 1947, but the formulation of plans to implement the policy requires good will and a broad outlook on both sides. More important still, in my view, is that the national organisations representing the farmers should carry public opinion with them, for no Government, whatever its complexion other than a Totalitarian Government, can in the long run pursue a policy which has not the support of the mass of the people.

ASSOCIATED FERTILIZER COMPANIES

Our associated companies in Canada, South Africa and Rhodesia have again had successful years.

In Canada conditions were particularly difficult owing to the collapse of the potato market, but our sales were slightly in excess of those in the previous year though our profits were a little down.

In South Africa the demand for granular fertilizers is increasing and we are erecting a new plant to produce granular fertilizers in the Cape Province, which is planned to come into production early in 1954.

In Rhodesia the fertilizer trade is largely dependent on the tobacco industry. Sales of tobacco for the past year have been a record and, given favourable weather conditions, it is anticipated that production during the coming season will be stepped up from 105 million lb to 125 million lb thus ensuring an increased demand for fertilizers. We have cordial relations with the Rhodesian Tobacco Research Board which has recently published its recommendations as to the type and quantities of fertilizers that should be used to increase the yield of tobacco per acre.

NORTH EAST YORKSHIRE POTASH

The exploratory work carried out by Imperial Chemical Industries Limited and ourselves in North East Yorkshire has proved the presence of extensive deposits of potassium salts. Methods of working these deposits are under consideration with a view to making the potash available for British agriculture.

FISONS CHEMICALS LIMITED

In previous reports I have referred to the intensive task of re-organising which we have been carrying out in certain constituent companies of this group, and it is therefore disappointing to record that a deterioration in market conditions has prevented us from reaping the full reward of this work. The largest Company in the group, however, returned substantially improved results, and Bengers Limited, although showing decreased profits, do so largely as a result of a falling off in demand for certain raw materials supplied to the pharmaceutical industry. The demand in the previous year had been exceptional and the very competitive conditions both in home and export markets, resulted in a substantially reduced off-take by the pharmaceutical industry in this country. On their own ethical medical products, this Company also showed satisfactory progress. Continuing the trend of last year, a very severe decline was again

registered in our sales of pharmaceutical fine chemicals for the reasons already mentioned. Our interests in this field depend largely on direct export as well as on the supply of raw materials to manufacturing houses, who in their turn export finished products. The most intense competition has prevailed in export markets, and we have therefore experienced a decline both in turnover on this side of the business and in profitability. In my view some rationalisation of this industry is now overdue.

The publication of the classified list of products for the use of doctors has led to a considerable upheaval in that part of the pharmaceutical industry selling products for prescription by the medical profession. Comparatively few of the group's products have been affected, unlike a number of other companies where virtually the whole of the catalogues have been placed in unfavourable classifications. At the same time the efforts to reduce the cost of prescribing which have led to this and other measures, cannot but affect us, and we, in common with other manufacturers, must strive to reduce costs to the minimum. I am afraid that it is only too likely that the results of the Government's efforts in this direction will be to reduce the willingness of manufacturers to invest large sums in research and development, and the marketing of new products, and this country consequently may fall still further behind the United States in this direction.

We have spent considerable time and energy formulating a policy to deal with great changes which have recently occurred on many sides of the business of this Group, and while I cannot forecast any reduction in competition, rather the contrary, I believe that our strenuous efforts and constant improvements in organisation and efficiency will enable us to fare better than many of our competitors.

RESEARCH

During the year plans have been prepared for a major extension of the research activities of the Company. A farm of some 400 acres has been purchased at Levington, six miles from head office. Here will be carried out field trials of new fertilizers and other agricultural chemicals. The farm will be equipped with all facilities for the testing of new fertilizers, and of the best methods of using them.

Levington, however, will be more than an agricultural testing station. Plans are in hand for the erection on the farm of a comprehensive block of Research Laboratories, mainly devoted to fertilizer technology, but capable of pioneer work in any aspect of chemical and biological research necessary to keep your company in the forefront of progress. I should, perhaps, give you an assurance that there will be no unnecessary duplication of the work going on at any of the Government Research Stations. Steps have been taken to make our plans known to the Agricultural Research Council and to ensure that good relations will be maintained with Experimental Units operated by the Ministry of Agriculture.

The research work of the station will be closely linked with our Advisory Services, and Dr R. Stewart, the Director of the Station, will also be the head of the Advisory Services. In this way our research and development will be kept intimately related with the needs of the agricultural community.

The farm at Levington was chosen after careful consideration of the large number of factors which are relevant to the setting up of a comprehensive Research Station on modern lines. But some of the field experiments will need to be checked on other soils with different climatic and drainage conditions. The work at Levington will therefore be reinforced by a subsidiary station in the

West Country and by the organisation of special tests, where necessary, on various farms throughout the country. The full scheme will, of course, take some years to complete.

STAFF

We continue to have the benefit of most efficient staffs in our offices and factories. I have already referred to the fact that our relations with the Trades Unions remain cordial. My colleagues and I would like to express again our great appreciation of the services rendered to the Company by all those working for it, both at home and abroad.

THE ALUMINIUM CASTINGS COMPANY

DIVERSITY OF ACTIVITY

The forty-seventh annual general meeting of The Aluminium Castings Company, Limited, was held on November 6th at Glasgow, Mr R. K. Calder, chairman and joint managing director, presiding.

The following is an extract from his circulated statement:

The trading result for the year now under review was disappointing, and there is little consolation to be derived from the fact that other manufacturers engaged in the electrical appliance industry suffered a like experience. The diversity of activity within the group proved a useful buffer, however, and in the circumstances I feel that the outcome for the year is reasonably satisfactory.

When I made my statement to you last year I indicated that there were then distinct signs of improvement. I was unable to foresee, however, that within a few weeks' time there would be initiated a national agitation for the abolition of purchase tax. The effects of the agitation, which started in the autumn of 1952 and was fanned by powerful organs of the daily press, touched off a "buyers' strike," which lasted some six months and resulted in a most drastic—in other circumstances it might well have been a catastrophic—decline in demand for electrical appliances. As a result our output in that field declined by some £750,000, a very substantial proportion of the group's total activity.

In spite of this and owing to increased output in other directions, trading profit fell by no more than some £67,000, being £147,501 as against £214,769.

At Burnley we suffered a slump—I use the word advisedly—in the sale of washing machines, particularly in the last six months of the year, offset partly by the growing level of output on the jet engine programme.

Your board is satisfied that the jet engine work being undertaken is no longer a mere temporary rearmament effort but is a well-established addition to the activities of your Burnley company. So much so that special arrangements, including the provision of further factory space, will now be required to cope with the healthier order position prevailing in the washing machine market and the heavy forward orders on the jet engine programme.

Aluminium Bronze Company failed by only some 10 per cent to hold the record output achieved in 1951-52, but rising costs cut severely into profit margins.

Atkinson's Agricultural Appliances, Limited, fully justified the hopes which I expressed last year, and output advanced by some 75 per cent, the bulk of which arose in the last few months of the year, when output was more than doubled. In the current year this in-

creased rate of output has been more than maintained.

Scottish Aluminium Ware, Limited, failed to hold the improvement recorded in 1951-52.

The plating and metal finishing division of the group—represented by the Verichrome Companies at Walsall and Larkhall and Makmoroom Limited—all suffered setbacks common to that trade, and output fell by some 30 per cent, with the result that small losses emerged over the division as a whole. Conditions in the current year show a reasonable degree of improvement.

The parent company's foundry at Greenock had a poor year due to a marked decline in the demand for sand castings, a situation which has continued into the current year.

Last year I ventured a cautious prophecy which was nullified within a month or so as a result of the almost overnight collapse in the public demand for electrical appliances. This year I might feel tempted to repeat the prophecy, but I will content myself by recording that to date the current year shows an expansion in output of almost one-third, with an even better showing in earnings.

Your directors are at present negotiating for the acquisition of a further business, but I regret I am not yet in a position to make a statement.

The report and accounts were adopted.

At subsequent extraordinary general meetings resolutions increasing the authorised share capital were approved.

HAROLD WESLEY LIMITED

(Manufacturers of Paper Products)

SATISFACTORY RESULTS

The seventh annual ordinary general meeting of Harold Wesley Limited was held on November 5th in London, Mr Percy Day-Winter (chairman and managing director) presiding.

The following is an extract from his circulated statement for the year ended June 30, 1953:

During the period under review, in common with other paper converters, we experienced certain difficulties, due to further falls in paper prices coupled with a falling of trade generally. The loss of sales, however, was compensated by additional business in connection with the Coronation. Stock losses at the end of the year and losses incurred during the year due to fall in price of raw materials have been taken in the profit and loss account. The stock depreciation reserve of £20,000 has been retained intact once again.

The paper situation has undergone some change since my report of a year ago and the tendency is for prices to remain stable and in consequence a more even flow of orders is resulting.

A pleasing feature of sales has been the increase in our export business, in particular to the United States and Canada.

Your company's subsidiary, Wesley & Clark Engineering Company, Limited, is working fully and produced approximately the same profit as the previous year. They have a reasonably well-filled order book for the current year.

The factories of your company are fully employed and a considerable amount of overtime and double-shift work is in operation.

The report was adopted and a final dividend of 14 per cent, making 23 per cent for the year, was approved.

HARMONY GOLD MINING COMPANY, LIMITED

(Inc. in the Union of South Africa)

MR P. H. ANDERSON ON DEVELOPMENT PROGRESS

At the third annual general meeting of shareholders, held in Johannesburg, on November 6th, Mr P. H. Anderson, the chairman, in the course of his remarks, said: Development continues to indicate good mining conditions and up to the end of October the total development footage accomplished since these operations started in February was 14,550 ft. 5,866 ft. had been advanced on the Basal Reef horizon, and of this 5,640 ft. had been sampled, 5,330 ft. or 94.5 per cent proving payable, averaging 15.33 dwt. over a channel width of 43 inches, equal to 659 inch dwt.

The main haulage on 6 level to connect the ventilation shaft with No. 3 shaft was holed five days ago on November 1st. Consequently the various restrictions applying to a single entry mine have been removed and, though the scale of operations can be only slightly increased due to the limited hoisting capacity of the ventilation shaft, underground conditions will be considerably improved. 16 Winze, which is being sunk also to connect the shafts, had 2,840 ft. to go at the end of October and is not expected to hole until about September, 1954.

In the ventilation shaft area good progress continues to be made with the development of the initial stoping area. 6 level drive has now been stopped temporarily while work is concentrated on footwall haulages and on 15, 16 and 17 raises. These three raises are spaced about 800 ft. apart and are being put up to 2 level, a distance of 1,750 ft. up dip to the east of 6 level. If progress continues to be made according to plan it is expected that by the time the mine is scheduled to go to production in July, 1954, a block of ore 1,750 ft. by 1,600 ft. will have been opened up in this area, and a fair proportion of the 10,500 ft. of face in the three raises will have been prepared for stoping. Development rock is being hoisted and dumped on a stock pile at the ventilation shaft and this ore together with that from mining operations will be transported to the reduction plant by road pending the commissioning of No. 3 shaft.

No. 3 shaft has progressed satisfactorily and at the end of October had reached a depth of 5,247 ft., leaving 130 feet to be sunk to its final depth. The ore and waste boxes and portions of the ore and waste pass systems are nearing completion, and most of the stations and a temporary pump chamber required for the initial stages of operations have been completed. Equipping should commence in January and the shaft is expected to be ready for operation as the main hoisting shaft shortly after production commences.

REDUCTION PLANT

Construction of the first 45,000 ton unit of the reduction plant is well advanced, although there have been one or two minor delays in erection. This unit is scheduled to start operating in July, 1954, and a second unit of a similar size a year later. No decisions have yet been taken regarding the possible further extension of the reduction plant or when the sinking of the proposed second hoisting shaft will commence.

A suitable site for this shaft has been located by the drilling of borehole L.R.9 which has also yielded encouraging reef values. The results of the second deflection of the borehole were published yesterday

and these, taken in conjunction with the results of the original borehole and the first deflection (which was drilled from just above the Basal Reef) gave the following averages: the two intersections of the Leader Reef at a borehole depth of 4,978 ft. averaged 0.9 dwt. over 56 inches, equal to 50 inch dwt. The three intersections of the Basal Reef at a borehole depth of 5,028 ft. averaged 18.34 dwt. over 71 inches, equal to 1,302 inch dwt. In addition, interesting values were obtained on the "A" Reef horizon at a depth of 4,555 ft. In the original borehole this reef assayed 5.3 dwt. over 88 inches equal to 466 inch dwt., and in the second deflection 4.2 dwt. over 84 inches, equal to 353 inch dwt. As all the other boreholes on the Harmony property have given unpayable results on this horizon it would appear that the pay zone located by borehole L.R.9 is of limited extent. It should, however, be possible to test the potentialities of this payable zone at some time in the future as the proposed No. 2 shaft is likely to intersect it.

URANIUM PRODUCTION

The construction of the uranium plant to handle the residues from the first two units of the gold reduction plant is making fairly steady progress but it will probably not be commissioned until two or three months after the gold plant has commenced operations. Shareholders will have noticed from the recently issued prospectus that uranium production, although it is only a by-product of gold production, is expected to yield considerable additional profits to the company. Values have been encouraging and it is estimated in the light of ore disclosures to date that the profits, after allowing for loan redemption and interest, earned from the uranium plant during the period of the agreement with the Minister of Mines will be of the order of one-third of the working profits from gold mining.

The report and accounts were adopted.

EAST ASIATIC RUBBER ESTATES

MR H. T. KARSTEN'S ADDRESS

The thirtieth annual general meeting of East Asiatic Rubber Estates, Limited, was held on November 11th in London.

Mr H. T. Karsten, the chairman, presided, and in the course of his speech said:

In spite of the severe drop in the average sale price of our crop, the net result, after taxation, of the year's working is only £50,000 down at £91,703 and the board proposes a dividend of 10 per cent for the past year.

During the year 471½ acres were replanted, making a total of 1,839 acres as at March 31st last, and the board have authorised the replanting of a further 544 acres during the current year. As it takes about seven years to bring replanted areas to maturity, the cost during the coming years will be quite substantial and the board have therefore decided not to undertake any new replanting during the next financial year. The board realises, however, that we shall have to resume our programme in order to get our estates replanted with first-class material as early as possible, and for this reason we propose to place some £40,000 to general reserve, leaving £58,489 to be carried forward.

The crop estimate for the current year has been put at 3,300,000 lb.

I am afraid I can give you little encouragement about the market for our product for the near future. There does not appear much chance of any real improvement to a higher price level. Our endeavours must be to improve our estates and the work on our estates so that we can reduce our cost of production, and I can assure you that your board has this very much in mind.

The report was adopted.

KOLAR GOLD MINING COMPANIES

(Mysore, Champion Reef, Ooregum, Nundydroog)

At the annual general meetings of the above-named companies, held at Oorgaum, Mysore State, on October 29, 1953, at which the results for the year ended December 31, 1952, were considered, Mr J. K. Lindsay, in the chair, referred to the accounts of the companies. The following dividends have been paid: Mysore 5 per cent, Champion Reef 6 per cent, Ooregum nil, Nundydroog 5½ per cent.

Since the close of the year under review, the market values of the United Kingdom Government securities held by the companies have improved and on October 15, 1953, were: Mysore £152,635, Champion Reef £120,824, Ooregum £81,595, Nundydroog £135,750.

At the Mysore and Nundydroog meetings, Mr Lindsay recalled the remarks of the chairman last year regarding the intention to put these companies into voluntary liquidation as soon as it became possible to do so without jeopardising the position of the respective KGF Companies. It is expected it will be possible for the Mysore KGF Company to dispense with the support of the holding company in the early part of next year provided no unforeseen circumstances arise in the meantime. Until the assessments have been settled it will not be possible to distribute all the assets. On the Mysore Company going into liquidation, however, it may be possible to distribute to stockholders the shares in the KGF Company and thus avoid the Indian super tax which the holding company pays on the dividends received from the KGF Company.

The financial position of the Nundydroog KGF Company is not yet good enough to dispense with the support of the holding company especially in view of the capital expenditure which will be necessary for the proper development of the West Reefs. For this reason and because of delay in the settlement of the income tax assessments, the directors regret they are not yet in a position to recommend that the Nundydroog Company should be put into liquidation in the immediate future. Such a recommendation will be made as soon as practicable.

As was explained in the circular dated July 28, 1953, to the stockholders of the Champion Reef Company, the intended liquidation of the company will have to remain in abeyance for some time as its support will be required by the KGF Company to assist in financing the purchase of the Ooregum Mine.

At the Ooregum meeting Mr Lindsay said that to the great regret of all concerned the mine was closed on July 9th after over sixty years' successful operation. It is not possible at this stage to estimate the return which shareholders may expect on their shares when the company is liquidated.

The intention is to put the Ooregum KGF Company into liquidation as soon as the clean-up and dismantling of the mill have been completed.

As shareholders have been informed, the liquidation of the Ooregum Holding Company will follow that of the KGF Company.

The reports and accounts of the four companies were adopted.

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NOTICES

GOLD COAST GOVERNMENT

VACANCY FOR POST OF MANAGING DIRECTOR TEMA DEVELOPMENT CORPORATION

Applications are invited for the above post. The Corporation, established by Gold Coast Ordinance No. 35 of 1952, has been set up to create a town at Tema, near Accra, for a population of 50,000 to 80,000 to serve the major new port under construction there. The Ordinance is based on United Kingdom New Towns legislation and the duties of the Managing Director include responsibility for certain statutory obligations laid upon the Corporation such as the production of a Master Plan, the preparation of annual accounts for audit and of an annual report.

The Managing Director is a member of the Corporation and shares with it the responsibility for policy. In addition, as its Chief Executive Officer he is responsible for the organisation to carry policy into effect. He will co-ordinate the work of the various branches of the organisation, administrative and legal, engineering, health, accounts, architects and town planning and estate management. It will be his duty to co-ordinate the Corporation's work with that of the Harbour Authority responsible for developing the port. Applicants should be not less than 35 years of age, and should have held positions of comparable responsibility in major development projects. Preference will be given to candidates with previous New Town experience. Previous employment overseas, preferably in West Africa, is almost essential.

Terms of Service: Appointment will be on contract/gratuity terms for a five-year period. Salary will be from £2,600 to £3,500 consolidated per annum, according to the qualifications of the candidate. A gratuity at the rate of £50 for each completed three months of satisfactory service will be payable on final termination of the contract. Free passages on first appointment and on leave will be provided for the officer and his wife once each way during each tour of service. Length of tour 12-15 months. Successful candidate will be required to travel by air. Free air passages will also be provided for a maximum of 3 children under 13 years of age once a tour. Vacation leave with pay; seven days for each month of service. Free medical and dental attention provided for officer and family. Furnished quarters available at low rental. Income tax at local rates. Kit allowance on first appointment £30. United Kingdom candidates should apply in writing to the Commissioner for the Gold Coast, Melbourne House, Aldwych, London, W.C.2, giving brief details of their age, qualifications and experience not later than December 19, 1953. Persons who applied previously and who were not informed that an appointment could not be offered should merely advise that they are still interested.

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*).

ACCOMMODATION available for conferences and schools at Halls of Residence during the Easter vacation and the months of August and September, 1954. Further particulars from the Registrar, University College, Hull.

FOR SALE.—The Economist: April, 1914—April, 1952 (2 missing 1919). Investor's Chronicle: 1913-1952.—Box 377.

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INTERNATIONAL BANKING SURVEY

This series of articles, surveying salient trends in international banking and in monetary policies overseas, is complementary to the similar survey of banking in Britain and the British Commonwealth published on June 20th last. In these two half-yearly features, THE ECONOMIST continues the tradition of its ANNUAL BANKING SUPPLEMENT, which has been published for many years.

Softening the Sound Dollar

WHATEVER else happens to the American economy, the Eisenhower Administration has decided—after some old-fashioned mutterings to the contrary—that it shall not crucify mankind upon the cross of the sound dollar. It has, very wisely, devolved more power and responsibility on the Federal Reserve in the fight against economic disorder; and it has voiced no objections now that the “Fed” has chosen to turn its sentries in a new direction—on guard against deflation. The change of front, in response to a change in threats, has taken place as swiftly as any sensible liberal could ask for. It has also taken place against a very difficult political background.

To understand that background, it should be recognised that the Federal Reserve’s uneasiness about the former Government’s monetary policy was contingent rather than current. The “Fed” was reasonably happy about the way current monetary policy was working out, at any rate after the famous “accord” of March, 1951; but, in view of its previous experience, it was not unnaturally afraid that complications might arise if ever renewed inflation should make a switch from a neutral to an aggressively tight monetary policy desirable. If a new shock effect ever had to be imparted and active steps had to be taken to drive Government borrowing rates up—well, the pessimists argued, the Truman Treasury still included many people who would wax very cross about that.

Inevitably, this minor and hypothetical cause for concern about the Truman Administration’s monetary policy was magnified into something quite different during the election campaign. President Eisenhower’s economic henchmen—or rather their speech-writers—fought that election on a promise not merely to resist further inflation but to roll back the inflation that they alleged was currently in progress. This so-called “sound money” doctrine was even more frightening than the Truman Government’s suspected lingering predilection for a “flabby money” policy; for it should have been evident that America was not caught up in any menacing inflationary spiral at the time of the election, on any of the three criteria by which an excess of demand over supply can be measured. Stocks were not being drawn down; they were rising rather alarmingly. America, admittedly, was beginning to lose gold; but to pretend that it was in balance of payments difficulties was merely comic. And

consumer prices had risen by little more than 1 per cent on the year, while wholesale prices had fallen sharply.

On balance, although a watch still had to be kept both ways, there seemed to be more danger of the emergence of a lack of demand than of a surplus of it; and this danger was intensified when Marshal Stalin, inconvenient to the last, died on March 6th. From then on the danger was clear. As the standard bearers of the sound dollar charged dour-faced out of the smoke of their victorious battle there stood, at the tip of Mr Randolph Burgess’s leading lance, not the dragon, nor even a windmill, but the fair maid prosperity herself. It was a very embarrassing position for a knight to be in, if he was to retreat without looking silly.

It is greatly to Mr Burgess’s credit that he did retreat, or rather that he allowed himself to be hustled unprotestingly back from the battle. For three frightening months, from March through May, it did not look as if he would allow this. This was the period when the Treasury bill rate, which had gone over 2 per cent for the first time during the usual winter squeeze at the end of 1952, not only kept above 2 per cent but climbed up to the peak rate of 2.42 per cent (at the first June tender). This was also the period of that much misunderstood operation, the floating of the long term 3½ per cent Government bond.

The muddled apprehension that was aroused in economic circles by this operation was due, once again, to the blatant over-simplifications of Republican oratory. “Over three quarters of the debt,” declared Mr Burgess in a speech at a bankers’ convention, “matures within five years or is maturable at the option of the holder of the debt. That is unsound financing.” It would have been more accurate to say that it was rather inconvenient financing in the special circumstances of the American political and economic scene. There were two reasons for this. First, the short term structure of the debt allowed the commercial banks to hold a large portfolio of one or two year maturities which they could liquidate without serious loss even if the Federal Reserve resorted to a policy of credit tightening; in other words, funding issues were desirable to make the commercial banks worried—if the need to inject worry should arise—about their liquidity. Secondly, the “Fed” had found that frequent re-

funding operations led to recurrent trouble between it and the Treasury. Experience had shown that it was only when the Treasury had no large early maturities to handle that it was willing to leave monetary policy in the unfettered control of the "Fed"; and the more completely American monetary policy is left in the hands of the "Fed", the better for the whole free world.

It was for this reason that the "Fed" welcomed the relatively small—\$1 billion—issue of a 30-year $3\frac{1}{2}$ per cent bond in the spring, the first long-term Government issue since the war years. The issue received ample subscriptions from the insurance companies and pensions funds at whom it was principally aimed; it also, however, attracted subscriptions from some speculators who wrongly assumed that the authorities would wish to support the new bond at a premium, found out their mistake too late and then realised the security at a loss. But the temporary difficulties into which the bond market was plunged by this manoeuvre had no serious deflationary consequences; and both this issue and the (very successful) tactic of offering investors the choice between a one and a three-and-a-half year maturity for a short-term refunding operation in September should be regarded as sensible steps that were designed to make a tighter monetary policy more effective, if—with the emphasis on the if—the need for such a policy should arise. The impression that these operations had no more than this purely precautionary objective was strengthened when Mr Burgess suggested to the banks last June that they might find it wise to lengthen the average maturity of their bond portfolios. There was, of course, an element of inconsistency in this speech, which implied that the Treasury was going to indulge in what Mr Burgess considered to be sound financing but that the bankers ought to indulge in what they had been taught to regard as unsound financing; but it was a sensible inconsistency, of the sort that Mr Burgess's style of oratory is peculiarly well fitted to propagate without a blush.

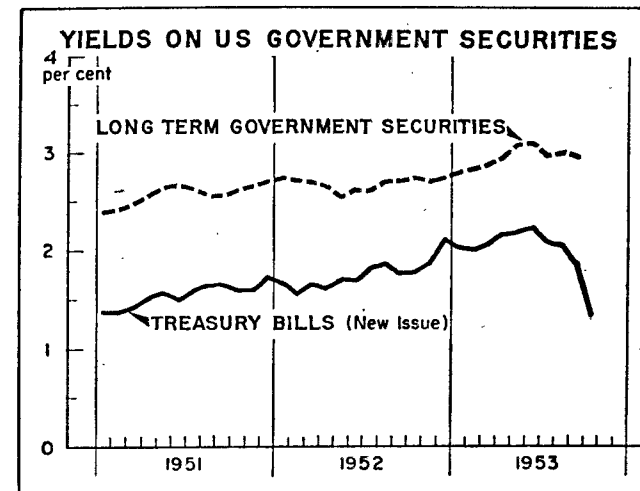
The real cause for concern about American monetary policy throughout the spring and early summer lay, therefore, not in these refunding operations but in the course of the "Fed's" day-to-day operations. In January, after the usual end-year squeeze had brought the commercial banks to the discount counter (discounts, in American

terminology and in the chart below, mean borrowing from the Federal Reserve), the "Fed" raised its official rediscount rate from $1\frac{1}{4}$ to 2 per cent. This move, again, could be defended as a mere precaution; the real question was whether the "Fed," by standing aside from market operations, was going to make this more burdensome discount rate effective. Up to May, as the chart shows, it was very effective. All through the period when the Treasury was in seasonal budget surplus the "Fed" refrained from purchases of Government securities, and the Treasury bill rate crept up to its June peak of 2.42 per cent, compared with about $1\frac{1}{4}$ per cent a year before. This trend set in just at the time when it became clear that the Administration was going to follow a tight enough taxation policy to try to bring down the overall budget deficit from \$9.4 billion in 1952-53 to (according to the current estimate) \$3.8 billion in 1953-54. If the new fiscal year, to June 30, 1954, was going to see a budgetary turn-round of this order, plus higher interest rates, plus cooler war, plus the automatic "corrective" factors that many people professed to see in the American economy, then it was obviously likely to be less inflationary than 1952-53—and, as the outside world saw it, 1952-53 had not been inflationary at all. A very great deal depended, therefore, on whether the "Fed" would continue its restrictive policy when seasonal pressure reasserted itself on the money market after the turn of the fiscal year (when the Treasury's accounts would swing into seasonal deficit and when demand for commercial loans from the banks would show a seasonal rise).

This worry went out with the spring. Already, in late May, there were some signs that the "Fed" was coming back into the market; by June it was back there in real earnest and pumped out some \$1,000 million in new security purchases in the course of a few weeks. Then, on June 25th, it announced a relaxation in member bank reserve requirements that released another \$1,000 million of cash.

The transformation to a policy of easy money was thus complete. It is true that the "Fed's" purchases of securities have not been heavy since this transformation, but this has been because seasonal demands upon the money market have been much lower than usual. The Treasury has been borrowing less, partly because of its approach to budgetary balance and partly because the unfortunate Con-

gressional decision to maintain the ceiling on the national debt has forced the Treasury to run down its cash balances rather than resort to borrowing operations. Moreover, the seasonal expansion in commercial bank loans since the mid-summer low point has been only between a half and two-thirds as much as last year—a sign partly of the decline in stock-building (which has prompted some people in this country to allege that the "recession" has, at least to some extent, already begun), but partly also of the fact that a change in the system of anticipatory tax payments has led some businesses to switch their peak borrowing from the autumn to the spring. But the general



assumption that the "Fed" now stands ready to pump in any money that is demanded has done much to steady nerves, in Wall Street as well as in banking circles. Up to June there was real reason to fear that the mild deflationary spiral into which America already seemed to be toppling was going to be aggravated by orders to the

"Fed" to conduct a bizarre game of musical chairs, with money being made scarcer and scarcer as borrowers (and thus openings for new employment) became fewer and fewer; now the "Fed" has put out as many chairs as there are players—and, if it is not putting out new chairs every day, that is because no new players are coming forward.

The question remains: although it can now be assumed that the "Fed" will not do anything to intensify any incipient deflation, can it also be assumed that it will be able to do anything to alleviate it? So far, the effect on interest rates has been diverse. The Treasury bill rate, aided by the reduction in short term rates in Britain and elsewhere, has of course fallen notably; it was down to $1\frac{1}{4}$ per cent at the end of last month, fully $\frac{1}{2}$ per cent lower than a year before. Since the end of September the rate offered on prime commercial paper has fallen in three successive stages from $2\frac{3}{4}$ to $2\frac{1}{4}$ per cent. The Federal Reserve's rediscount rate and commercial bank loan rates have not so far been lowered; but the banks undoubtedly feel much freer to make loans to sound borrowers than they did six months ago.

The new easing of rates and of screening requirements does not, of course, mean that many businesses will wish to borrow if they fear that production may be unprofitable—nor does it mean that the banks will necessarily be willing to lend to the few that might like to try. But there is some confidence that lower interest rates might help to revive housing expenditure (in fact, the figures for mortgage loans—though not yet for housing starts—suggest they may already be doing so). Moreover, the fact that America's dearer money policy after March, 1951, proved much more effective than even its strongest advocates had forecast has led some people to hope that monetary policy might prove no less surprisingly effective now that it is operating with arms reversed. At worst, the world is being given a chance to see.

Europe's Flexible Money

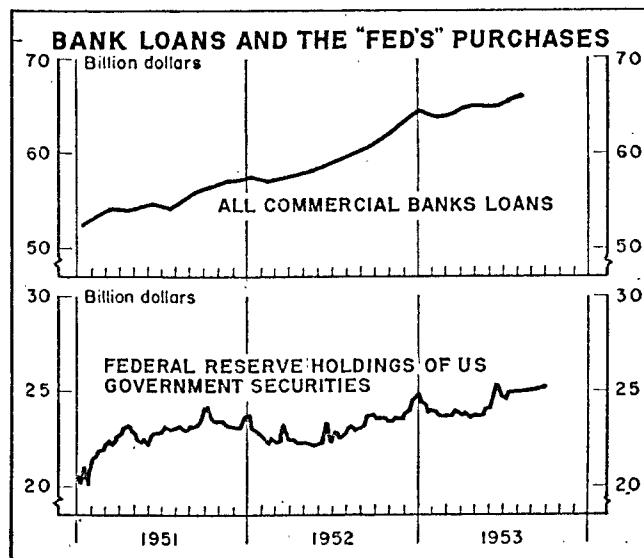
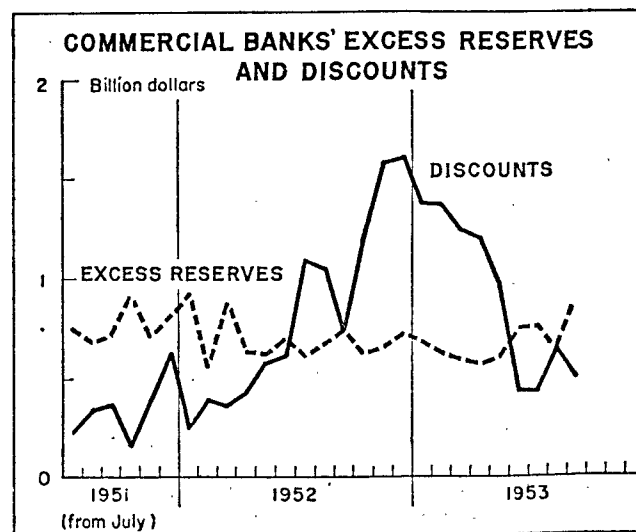
THE revival of monetary policy as an economic regulator in Western Europe has become more firmly consolidated in the past twelve months—although the pressures it has been called upon to regulate have abruptly changed. Last year Europe was still fighting against inflation and external deficit; this year the disinflation and the marked improvement in its external balance of payments have permitted a general easing of monetary discipline and an appreciable reduction in money rates. If the keynote of an orthodox monetary policy is the use of monetary weapons as the primary means of adjusting national economies to changes, in either direction, in economic circumstances, then orthodoxy has now won a remarkably complete victory in all but a few of the countries of Western Europe.

The shortness of the period during which this revival of monetary policy has taken place makes this achievement the more notable. Before the outbreak of the Korean war, as an article in last year's International Banking Survey pointed out, there had been a marked dichotomy in European countries' attitudes to the use of monetary policy. Three important countries only—Germany, Italy and Belgium—had attacked their inflations with the classical weapon of

the interest rate; the rest—and in particular Britain, France, Holland and the Scandinavian countries—had kept their Bank rates pegged at low and often ineffective levels, and had relied instead upon budgetary and physical controls in their efforts to counter inflation. In consequence, the flexible manipulation of short-term interest rates was confined to the first group of countries; and inevitably—as Table I shows—there were wide variations in levels of rates of the leading central banks of the whole area.

The differences between the monetary attitudes of the two groups were far less marked, however, in long-term rates; the British Government by 1947 and Sweden two years later had learnt that the degree of government support needed to maintain permanently low yields in the gilt-edged market necessarily involved a quite disastrous inflation of the supply of money. The only two European countries whose long-term rates have been maintained consistently low are Norway and Switzerland; and in Switzerland the exceptionally low yields are a quite undesired natural result of the glut of investible funds that have accumulated since the war.

The change in the pattern of official discount rates that developed in the post-Korean inflation is plain to see. The



central banks in the "orthodox" group naturally raised their rates first; but, speaking very broadly, it can be said that most of the countries of the whole area were at last moving their rates in the same direction at roughly the same time. Table I does not, moreover, tell the whole story; Denmark and Austria must be added to the list of converts to the practice of flexible adjustment of money rates; and Sweden, whilst maintaining its rigid government-dominated interest rate structure, also raised its Bank rate in December, 1950 (from 2½ to 3 per cent). Except for the special case of

TABLE I—CHANGES IN OFFICIAL DISCOUNT RATES IN SIX EUROPEAN COUNTRIES

	United Kingdom	France	Netherlands	Germany	Belgium	Italy
Bank Rate end-1948	2 (26/10/39)	3 (30/9/48)	2½ (27/6/41)	5 (28/6/48)	3½ (27/8/47)	5½ (6/9/47)
Change in —						
1949—I.....	...	...	...	4½ (27/5/49)	...	4½ (9/4/49)
II.....	...	...	...	4 (14/7/49)	3½ (6/10/49)	...
1950—I.....	...	2½ (8/6/50)	...	...	...	4 (5/4/50)
II.....	...	...	3½ (26/9/50)	6 (27/10/50)	3½ (11/9/50)	...
1951—I.....	...	...	4 (17/4/51)	...	...	...
II.....	2½ (8/11/51)	3 (11/10/51)	...	...	3½ (5/7/50)	...
1952—I.....	4 (11/3/52)	...	3½ (22/1/52)	5 (29/6/52)	...	...
II.....	...	...	3 (1/8/52)	4½ (21/8/52)	3 (18/12/52)	...
1953—I.....	...	...	2½ (7/4/53)	4 (8/1/53)	...	...
II*.....	3½ (17/9/53)	3½ (17/9/53)	...	3½ (10/6/53)	2½ (28/10/53)	...

*To end—October.

Switzerland, the only western European country that left its discount rate unchanged during the inflation that followed the Korean war was Norway.

Hardly less striking than this measure of synchronisation of rate movements has been the narrowing of the divergence between the level of rates. At the beginning of 1950 every one of the six countries included in the table maintained a different Bank rate; today, the rates of the three leading countries—Britain, France and Germany—coincide (at 3½ per cent) and the spread between the rates of all six countries has been reduced to 1½ per cent. From 1951 onwards the changes in rates begin to assume a definite general pattern, where previously they had reflected only uncoordinated individual trends. That is the measure of Europe's return to orthodoxy.

There have, it is true, still been considerable divergences—in both magnitude and timing of changes—in the pattern of European discount rates; but these differences, far from belying the switch to orthodoxy, have been a quite natural result of it. The countries that entered the period of Korean boom with tight monetary controls, and those others that then unsheathed the monetary weapon most quickly, were naturally also those whose balances of payments and domestic economies recovered soonest. Consequently, it was Belgium, the Netherlands and Germany that led the way in the general relaxation of central bank discipline; and Britain and France, the former cheap money countries, whose internal and external positions did not permit a relaxation until later. Italy, which has maintained

its Bank rate at 4 per cent since April, 1950, is the exception to this pattern; but the Italian balance of payments has deteriorated since the end of 1951—and this deterioration, the Italians claim with some justice, was largely caused by the incidence of the import restrictions imposed two years ago by Britain and France.

Indeed, the most striking feature of Europe's monetary experience in the past two years has perhaps been the recognition of the intimate and essential connection between monetary policy and the balance of payments. The Bank rate has again become the signal of confidence—or of warning. It has been used for its classic purpose of allowing more play in the economy when the external balance permits, and of enforcing stringency when the balance tilts the other way. It is becoming again an important psychological instrument, as well as one for levering market rates upwards or downwards. In Germany, for example, when the official discount rate was reduced to 3½ per cent last June, the Bank Deutscher Laender stated that the reduction was called for as a gesture of confidence in the internal and external position.

The remarkable recovery of Western Germany and the Netherlands and the relationship of this movement to the dear money policies pursued by those countries are now familiar. More recently, there have been a number of less widely recognised examples of the close connection between monetary policy and the external balance. It is surely significant, for example, that the one west European country (apart from Italy) whose balance of payments deficit has widened appreciably in the past year is Norway—also the one country to maintain its cheap money pattern undisturbed. Norway, it is true, did suffer from a deterioration in its terms of trade last year while most countries benefited from an improvement; but the deterioration was much smaller than that experienced by Austria—which, after a sharp bout of dear money in 1952, turned its chronic deficit into actual surplus early this year.

Orthodoxy has not always been an easy policy to implement; and it is not surprising that some countries have fallen down on the task. Most of the weaknesses in the implementation of monetary policy by European countries can be traced to one of two broad defects: lack of the necessary technical institutions, or an irresponsiveness of market rates to central bank influence in consequence of excessive liquidity in the particular market. The most common technical deficiency has been the lack of an effective link between the money market and the wider capital market, so that impulses imparted to short-term rates are not necessarily reflected in long-term rates. Where these conditions obtain, the central bank's influence tends to be limited to the short-term market—unless it is prepared to intervene directly in the capital market on a Daltonian scale. In Belgium, for example, despite a continuous decline in both the official and market discount rates in the past two years, rates on long-term government bonds have declined only fractionally from their high level—to the intense frustration of the Belgian authorities who wanted to borrow cheaply. In Italy, falling money market rates have now for some time proceeded side by side with rising yields on long-term bonds.

In Germany, the fiscal and other restraints upon the organised capital market limit the effectiveness of the central bank's discount rate still further. The fact that a large proportion of investment finance is provided by the banks under medium and long-term commitments or by industry

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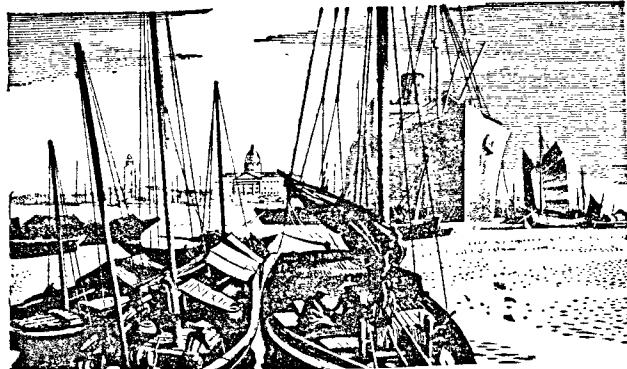
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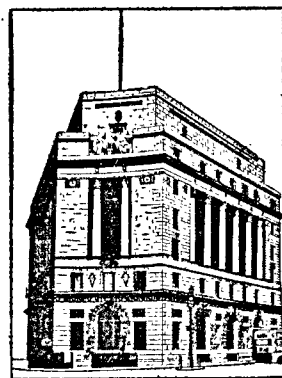
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itself means that the response to a change in market rates is not immediately felt in the investment field. The Bank Deutscher Laender is certainly taking its responsibilities as the fount of German monetary policy very seriously, but some inroad into the German tradition of financing investment through channels other than the public capital market may be necessary before it can exercise effective control; in particular, the Bank might find it harder to counter an economic crisis in Germany—if ever the trade cycle turned really sour—than some Germans tend to assume. In France too, as the accompanying tables show, the long-term market has been relatively irresponsive to the movements in the official discount rate; but in this case the deficiency is not institutional but very real. It is investors' lack of confidence in the country's position that maintains the yield on long-term government bonds at a high level.

★

The effectiveness of European central banks' discount rates has probably been impeded still more by the excessive liquidity of banks and money markets. The liquidity of the market becomes "excessive" when it is so great as to remove from the banks and other financial houses concerned the threat that they might have to resort to the central bank for re-discount; in those circumstances, unless the central bank can dry up the surplus credit (or unless it can influence the banks by less orthodox means, as in some instances) the level of its rate can exert only a psychological influence on the pattern of market rates, and even that influence may steadily weaken. The main cause of excessive liquidity in Europe in the past few years has been not the lack of outlets into "risk assets," but the expansion of the banks' liquid assets in response to the increasing short-term borrowings of the government. In France and in some other countries such borrowings have been primarily caused by large deficits on the domestic budget; but in Germany and the Netherlands, in particular, the government's demands have arisen from the need to finance a substantial surplus on the external balance of payments. In Germany, the result has been that, as mentioned above, the bank rate has lost contact with market rates.

The margin of ineffectiveness of bank rate has been particularly marked in Holland; the rate for three months Treasury bills has now been forced down to around $\frac{1}{2}$ per cent, although Bank rate has remained at the $2\frac{1}{2}$ per cent to which it was reduced last April. Nearly all money rates in Amsterdam have indeed been falling since the first of three reductions in Bank rate occurred at the beginning of 1952—a movement diametrically opposite to that in the London and most other money markets. But this pattern, in particular the low rate on Treasury bills, has been partly the result of the Netherlands Bank's deliberate policy of greatly limiting its sales—and it is the sole institution that now sells Treasury bills. The object has been to convert most of the floating debt into five-year Treasury notes, and to force the banks to keep their liquid assets in the form of central bank cash balances.

Most European countries have been afflicted with the problem of excessive liquidity; and few have been able to face the prospect of making a frontal attack by reducing the demands of the Government on the banking system. Consequently, the monetary authorities have introduced measures that sterilise but do not eradicate the surplus

credit. The most common expedient has been to fix minimum liquidity ratios, requiring a certain percentage of deposits to be held in the form of liquid assets (cash, balances with the central bank, call money, Treasury and sometimes commercial paper); the regulations may further lay down that a minimum of this liquid reserve must be held in a certain form—either in government securities as a whole, or in one particular type of security or bill. In some instances there are additional provisions that require minimum absolute holdings of liquid assets in relation to holdings at some date in the past ("historical cover"). Quantitative credit controls of such types as these have become especially popular in Continental countries since their swing towards monetary orthodoxy, though the measures themselves have sometimes been used simply as a means of avoiding the full rigours of orthodoxy, as formerly understood.

Indeed, in some cases, they are really only an alternative to the so-called "qualitative" controls imposed by directive. Immediately after the war, France and Holland gave particular attention to direct qualitative controls upon bank lendings; but in 1948 France supplemented (and to a large degree replaced) its complicated selective controls by a compulsory ratio scheme, and at the beginning of 1951 Holland replaced its system of detailed qualitative regulation by one of thorough-going reserve ratios. Italy, Belgium and Germany have also supplemented bank rate action by variations in legal reserve ratios, whilst Sweden has, with scant success, lately attempted to use a (semi-voluntary) reserve ratio scheme to supplement its selective credit controls. Britain, in fact, remains the only major European country that has left the pattern of bank liquidity to be judged by the normal criteria of commercial bankers—and this autumn it also became the only one to regulate liquidity by the strictly orthodox device of funding issues offered for voluntary subscription on the market (as distinct from the semi-compulsory fundings of the two previous years).

In the special circumstances created by the heavy government borrowings, however, it may be conceded that even the unorthodox use of these newer types of so-called quantitative controls—which at least are less unorthodox than the detailed "selective" controls—have served a

TABLE II—YIELD ON LONG-TERM GOVT. BONDS
(Percentages—Month or average of months)

	1946	1947	1948	1949	1950	1951	1952	1953 (Aug.)
Italy	3.81	4.43	4.40	4.52	4.79	5.08	5.23	5.47*
France	3.17	3.91	4.62	4.78	5.18	5.51	5.60	5.27†
Denmark	3.55	3.65	4.07	4.44	4.53	5.14	5.29	5.07
Belgium	4.18	4.45	4.75	4.60	4.42	4.62	4.51	4.38
United Kingdom	2.60	2.76	3.21	3.31	3.55	3.79	4.23	4.12
Sweden	3.01	3.02	3.08	3.02	3.11	3.23	3.28	3.27
Netherlands	2.99	3.06	3.10	3.14	3.14	3.44	3.42	3.20
Norway	2.96	2.50	2.49	2.50	2.57	2.74	2.74	2.72
Switzerland	3.10	3.17	3.42	2.94	2.67	2.94	2.84	2.51

* June. † July.

useful purpose. In countries such as Belgium, Holland, Germany, and Italy they have prevented the unduly large base of liquidity (existing mainly in the periods when the surplus on the external balance of payments has been large) from becoming the source of an excessive credit expansion; and in that way they compare favourably with the qualitative mechanisms used, with only dubious success,

in the effort to check the expansive effects of excessive liquidity—including the qualitative system upon which Britain put its sole reliance before November, 1951.

One major objection to systems of this sort is, however, the tendency of the authorities to use them not primarily for their "classic" (American) function of sterilising deposits but rather as a weapon with which to bludgeon the banks into taking government paper on terms that the Government could not command otherwise. This object is achieved even by a system that does not specify that government securities shall form a certain proportion of the minimum ratio—since considerations of earning capacity prevent the banks from keeping too large a part of their assets in the other main liquid asset, cash. Germany has indeed used its minimum reserve ratios

wholeheartedly for the classic, rather than the "Treasury", purpose—so much so that it has made them into an additional weapon of flexibility and varied them up or down with the discount rate. But the other European countries have used quantitative credit restrictions quite unashamedly for the Treasury purpose—at first largely to force the banks to retain the mass of floating paper issued during the war. On the whole it is safe to say that whilst it is the existence of the reserve ratios that has enabled central bank monetary policy to have any influence at all in most European countries, the effective operation of a flexible and free policy demands an orthodox approach to the problem of liquidity—that is to say, an approach through the market and not by directive. Slowly, perhaps too slowly, Europe seems to be learning this.

Banking in Latin America

BY A CORRESPONDENT

IN spite of differences quite as great as those between the different states of Europe, the twenty republics of Latin America share certain economic and political features that impose some pattern of uniformity on their monetary and banking experiences. Most of them are desperately dependent on the export of a handful of primary commodities, so that they often run huge export surpluses (and import raging inflation) in times of boom, and then relapse into equally huge balance of payments deficits in times of even moderate recession. Many of them have a long history of political disturbance, and Ministries of Finance are not usually bold enough or their civil services skilled enough to control the effects of external disequilibria by fiscal policies; the political courage needed to impose disinflation is a scarce attribute in an area where an unpopular politician is still liable to be hung from a lamp-post in a public square. The result is, of course, that when a recession eats into exporters' incomes and drains away foreign exchange, these countries often inherit cost structures that have been grossly inflated during the previous boom; and, at the first sign of trouble, they tend to resort swiftly to exchange depreciation (usually on the basis of multiple rates), to rigid import licensing, to discriminatory regulations about overseas profit remittances, and even to bald-faced default on debts. Finally, in almost all these countries economic development (all too often regarded as synonymous with uneconomic industrialisation) is an article of faith.

The economic experiences of these countries in the last three years have depended largely on how fiercely the post-Korean boom and subsequent readjustment have affected the different commodities in which each is principally interested; and the immediate prospect before each of them may largely depend on how those commodities might be differentially affected by any American recession. It also depends on how far any shock administered by fluctuating commodity prices may be countered by financial and monetary policy. The several republics display an unusual diversity of types of central banking institutions; it is therefore of interest to examine how these central banks—and Latin America's rather more uniform commercial banking systems—have stood up to the strains of recent years.

Among the first central banking constitutions in Latin

America were those drafted by the American economist, Professor Kemmerer, in the 1920s. Professor Kemmerer was responsible for the constitutions that were adopted in the west coast states from Colombia to Chile (and also for that in Bolivia). He laid down that the main weapon on which these banks should rely was variation of the discount rate, while acting as lender of last resort either to the commercial banks or (quite frequently) direct to the general public. He believed that central bank lending to the government should be rigidly restricted, and that open market operations should not be allowed at all. In addition, Professor Kemmerer enjoined these central banks to follow the orthodox rule that currency circulation and bank deposits should be strictly related in fixed ratios to gold and foreign exchange reserves.

By consecrating the orthodox rules of the gold standard, these Kemmerer constitutions actually tended to intensify the violence of cyclical fluctuations. In economies such as those of Latin America, the boom tends to be associated with an export surplus and the slump with an import surplus. Reserves therefore increase in the boom; if proportionate currency expansion on the basis of these reserves is encouraged, the fires of inflation are stoked high. This is what has, in fact, happened in successive booms; but as political pressures have generally made disinflation in the downswing impossible, the Kemmerer countries have been as ready as any others to resort to undesirable forms of exchange control and multiple exchange rates in times of trouble. During the wartime and postwar inflation, they also resorted to selective credit controls and introduced powers to allow the central bank to operate in the open market. The Kemmerer system is therefore dead; and it has not left a very happy legacy behind it.

The failure of the Kemmerer experiments led Dr Robert Triffin and an able group of economists at the Federal Reserve Bank of New York to propound a new system, which was brought into effect in the 1940s, in the constitutions of the central banks of Paraguay, Guatemala, Cuba and the Dominican Republic. The object of these constitutions is to curtail credit expansion at the height of the export boom, by devices that are particularly designed for the special circumstances of the various countries. For

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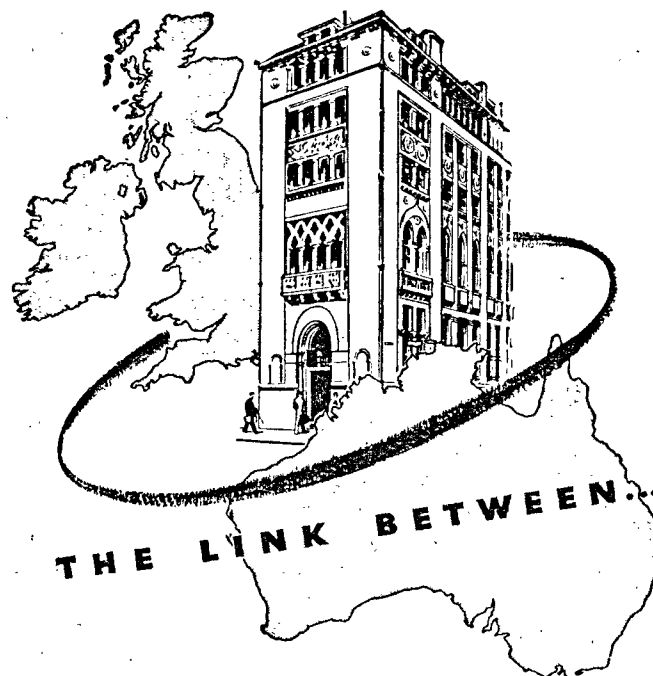
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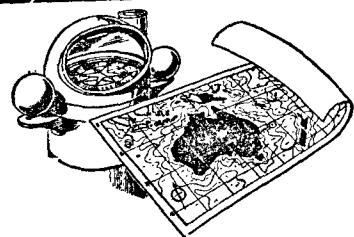
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ple, exporters may be induced to accept part of their currency receipts in stabilisation certificates instead of cash during boom years, discriminatory reserve requirements against all deposits) may be forced on the mercantile banks, and the central bank may be enjoined to keep a watch on the level of the gold reserve in relation to the price of imports and increases in (instead of the low level of) the internal money supply. This counter-factual policy, which leads the central bank to advocate a policy of disinflation in times of export surplus but allows of reflation in bad years, is the exact reverse of the orthodox rule.

To some extent, at any rate, the experiments seem to have worked. There has been a fairly high degree of monetary stability in three of the four Triffin countries in the last few years; the exception has been Paraguay, which had a raging inflation, with a ninefold price rise between 1948 and 1952. But Guatemala, Cuba and the Dominican Republic have enjoyed relatively stable prices and relatively constant export surpluses—partly, however, because their staple exports such as sugar and coffee have been less affected by the post-Korean see-saw in most other primary commodities. Among the other countries that have enjoyed relative stability have been Argentina and Costa Rica, which have also been free from very violent fluctuations in their export markets. The central bank constitutions in these two countries were inspired by the Chilean economist, Dr Max. There are no special requirements for these central banks; Dr Max has chosen to have placed his main reliance for adjustment on the economies on the flexible exchange rates, for he was in sympathy with the views of the "commodity currency" school. As there has been no unusual flexibility in exchange policy in Nicaragua and Costa Rica, it may be a fair comment that Dr Max's ideas appear to have succeeded because stable export markets have made it unnecessary to put them into effect.

Of the remaining countries, Mexico can boast of a central bank that is one of the most up to date and powerful in Latin America. It is particularly closely related to the United States Federal Reserve system, and has a full authority, including powers of selective credit rationing, of obliging the commercial banks' reserve requirements, and of opening market operations both in securities and gold. Argentina also has a central bank of great power. This was once a highly orthodox organisation, for it was established on the advice of Sir Otto Niemeyer in the 1930s. Sir Otto's system differed from Professor Kemmerer's in that it allowed open market operations from the start; in Argentina, unlike most of the other republics, such powers were used, and were usefully employed. In 1946, however, the Perón regime introduced drastic changes; in addition to nationalising the central bank, it passed legislation whereby commercial banks in Argentina were to receive deposits from private individuals only as agents for the central bank, and whereby they could make loans to their private customers only from their own funds (that is, from their own capital and reserves). This legislation, while it was politically inspired, was supposed to have some disciplinary effect—in stopping the banks from "creating deposits"; but it did not prevent a steady expansion of the money supply, and a price and wage inflation which continued through the early months of this year. This inflation was the inevitable consequence of the Argentine Government's

attempt to foster industries in which Argentina is at a comparative disadvantage at the expense of agriculture, in which it has great comparative advantages; it was also fostered by an attempt to peg government bond rates at 3½ per cent for long term and 1½ per cent for short term maturities—ridiculously low rates for a country with a long history of inflation. Recently, the position in Argentina has been reversed; late in 1952, the trade balance shifted into surplus, and subsequently prices and urban wages have fallen. This has been partly due to a wise damping down of the industrialisation policy; but it remains to be seen whether the reversal may not itself be reversed in time.

The other major South American country, Brazil, has no true central bank at all, in spite of frequent discussions of proposals to create one. However, the Bank of Brazil is a state owned bank, which acts as the government's banker and carries out discounting operations, as well as transacting ordinary commercial banking business; it also performs the duties of exchange control, which are of crucial importance in most South American countries, and which are generally entrusted either to the central bank or to some institution that is closely related to it. It is a moot point whether the lack of an ordinary central banking mechanism has had much to do with Brazil's sorry record of inflation and payments difficulties in recent years; even if there had been an established way of damping down credit inflation, there would not necessarily have been the will to accomplish it. It should be noted, however, that Brazil seems at last to have attained some stability of prices since the early months of this year, and that wages have been stable since early in 1952; the foreign trade position has also recovered from the excesses of 1951-52, although it would be optimistic to suppose that this recovery will necessarily last.

★

Ordinary commercial banking in Latin America has two roots—the foreign banks and the local institutions. Among the foreign banks, British institutions (especially, of course, the Bank of London and South America) have always played a predominant role. German, Spanish, Italian and French interests have also taken an active part, while in recent decades Canadian banks have become important and United States banks have become very important indeed. From the earliest days of the international banks in this part of the world, overstrained governments have tried to impose discriminatory legislation against them. This has led to a rash of locally registered subsidiaries; and many of the banks that are now purely locally owned and controlled had origins as international banks, although others were purely local in origin. The strong British influence seems to have been reflected in the tendency to fairly widespread branch banking systems (although the local banks do not usually cross national boundaries). A common activity, and frequent weakness, of the local banks has been to make long term loans, often in connection with the important domestic industry—or sport—of real estate speculation.

In some countries, especially Costa Rica and Argentina, substantial parts or the whole of the commercial banking system have been nationalised. Usually, however, the commercial banks are still privately owned, although in Brazil and some other countries they have to compete with government owned central banks or quasi-central banks that carry out ordinary commercial banking operations. Another very common way in which Latin American governments

have entered the field of ordinary banking has been through the establishment of mortgage and agrarian banks; these institutions are usually state-owned and operated, often in response to the influence of political pressure groups. In recent years there has also been a large crop of new state-owned development banks. These have been established to make long-term loans for economic development; nobody seems very clear about where they are to get their funds from, although they angle for capital from abroad.

It would be a mistake for foreign traders and businessmen to throw up their hands in disgust about trading and financial developments in Latin America, despite the disappointments and discrimination that they have had to suffer in recent years. These essentially volatile economies would have very difficult problems ahead of them, in a

world in which the trade cycle has not yet been conquered, even if they had the right economic institutions for their particular stage of development and the right political atmosphere and the necessary administrative expertise to make those institutions work. The first step towards sanity must probably be to devolve powers of economic control away from weak governments towards strong central banks, which may have to be of a rather novel kind; in some republics, at any rate, steps of this kind now seem to be under way. The major danger is, perhaps, that a serious recession in the prices of primary commodities might come before sufficient of these experiments have been started, and while others are too immature to take the strain. For central bankers may not like to run the risk of being strung up on lamp-posts either.

Revival in the Exchange Market

THE past year has been a period of re-expansion and rehabilitation in London's foreign exchange market. The process of rehabilitation, of course, really dates from December 17, 1951. Until that date only the Bank of England, acting for the Exchange Equalisation Account, had bought and sold foreign exchange as a principal; the commercial banks had been mere agents, buying at fixed rates from the Bank of England and selling to it, also at fixed rates, the specified foreign currencies they obtained from their clients. There was therefore a sudden rising from the dead when the Bank of England announced, in December, 1951, that the authorised banks would again be allowed to negotiate transactions for approved purposes at or within the official upper and lower limits for seven specified currencies, together with three "unspecified" ones.* The firms of foreign exchange brokers, whose business had vanished overnight with the coming of exchange control in 1939—and whose organisation had been largely dispersed and its personnel absorbed into the vast new exchange control department of the Bank of England—had to be swiftly reconstituted. And the foreign exchange departments of the commercial banks themselves had to be refurbished, dealers discovered or re-trained, the dust-sheets taken off the old paraphernalia of dealing boards, direct lines and calculating machines.

In the form in which it entered the year 1953, however, this revived foreign exchange market was still essentially bilateral. There was freedom for arbitrage between United States and Canadian dollars, but, apart from this, the banks in London had still to restrict their operations to bilateral dealings. When dealing with Brussels they could do so only in sterling against Belgian francs, with Zurich in sterling against Swiss francs, and so on. The first real break through this curtain of bilateralism was made on May 18th last, when arrangements were made for the resumption of arbitrage transactions on a spot basis between authorised banks in the United Kingdom, Belgium, Denmark, France, the Netherlands, Sweden, Switzerland and Western Germany, in the currencies of any of these countries.

* The seven specified currencies at that time were the US and Canadian dollars, the French, Swiss and Belgian francs, the Dutch guilder and the Portuguese escudo; the three unspecified currencies concerned were the three Scandinavian crowns.

These arrangements involved no change in the permitted methods of settlement by importers and exporters. The necessary forms had still to be filled in, permission had to be obtained to secure foreign exchange; and any specified currencies obtained as the proceeds of exports or in any other manner had still to be sold through an authorised bank. But a breach had been made through the principle of bilateralism, and the scope for effective competition by British banks in international foreign exchange dealings was immensely increased. At first this freedom for arbitrage was restricted to cash transactions; but from October 5th it was extended to transactions in forward exchange, provided the forward operations were limited to positions up to three months. This was an example of the authorities' policy of giving the market only a little rope to begin with, and then giving it more later when they saw that neither the letter nor the spirit of prevailing exchange control regulations was being garrotted thereby.

The results have been heartening. The volume of business transacted in the London market shows that dealers have rapidly reacquired their former skill. Some foreign exchange departments, notably those of the merchant banks and acceptance houses, had never completely lost touch with this type of business, and they rapidly adjusted themselves to the opportunities for increased activity that the relaxations offered. The rest sprang back to life with remarkable vigour. Moreover, one handicap to the re-emergence of London as the principal foreign exchange dealing centre in Europe, the fact that British authorised banks are not allowed to deal in the many types of free sterling, has been losing importance in the last two years. As the accompanying table shows, the discounts on the two main types of unofficial sterling ("transferable" and "switch") have now narrowed to a point at which it cannot be profitable for many people to use them.

The volume of business transacted by the London foreign exchange market has also benefited from the gradual transition from state trading to free markets in the handling of imports into this country. At one time, just after the war, some four-fifths of Britain's imports were bought by Government departments; and even as late as 1950 the proportion was as high as 50 per cent. As a result of relaxations already made—or, in the case of cotton, in immediate prospect—the equivalent percentage now is very low indeed.

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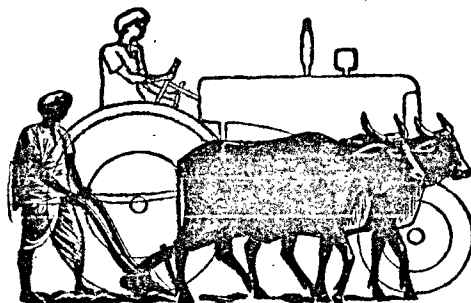
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Government departments occasionally purchased through the market the dollars and other currencies they needed for import payments; but, generally, they obtained them directly from the Exchange Equalisation Account. The progressive reopening of free commodity markets has therefore brought much new business back to the market, and has tended to offset the fall in business that has resulted from the fall in raw material prices.

The reopening of the commodity markets has also brought some changes in the system of exchange control. Until this year most of the reopened commodity markets were those dealing primarily in sterling commodities, such as rubber, tea, tin and wool; the scope for exchange losses from the operation of these markets was very small. This potential danger became greater when copper and grains were returned to free markets this year. In the copper market, no special precautions have been taken to guard against it; the exchange control arrangements for dealings in this commodity conform exactly to those made when tin, lead and zinc were freed. Participants are allowed to make purchases of copper in any part of the world, to hold stocks where they wish and to sell in any part of the world without prior consent from the exchange control. The only check kept on these transactions is a *post facto* inspection by the Bank of England of monthly returns submitted by the authorised participants in the market.

The exchange control arrangements for the grain market, however, lay down that grain of American or Canadian origin (and any other grain that has been purchased for dollars) may not be sold to an overseas buyer except against payment in dollars. In other words, British merchants are free to buy grain for domestic consumption where they wish; but there are controls over re-exports, to ensure that no net dollar loss is incurred as a result of arbitrage transactions. It will be recalled that when commodity arbitrage between the dollar and EPU areas was re-established for a

short time in August, 1952, there was an immediate rush by European countries to buy dollar grain for sterling. That form of convertibility has not been risked again.

Another testimony to the resurrection of the foreign exchange market in London is that the volume of compensations now handled monthly by the European Payments Union has fallen to a small fraction of what it was a year ago. Instead of being operated by substantial book entries

TABLE III—THE STRENGTHENING OF STERLING

Sterling Rates in New York (dollars)	End-1951	Mid-1952	End-1952	Mid-1953	Nov. 9, 1953
Official rate	2.78½	2.78½	2.81	2.81½	2.81½
Transferable sterling..	2.39½	2.66	2.72½	2.70½	2.74½
Discount (per cent) ..	14	4.5	3	3.9	2.4
Security sterling	2.35	2.47	2.63	2.65½	2.70½
Discount (per cent) ..	15.5	11.5	6.5	5.5	3.9

once a month the compensation of intra-European payments is now done day by day—indeed, hour by hour—as a result of the arbitrage deals that are now permissible between the eight most important countries of the EPU group. In this arbitrage business London now takes the undisputed lead; it handles the bulk of the transactions. The settlement of final balances is still, of course, done through the EPU, either in gold or in the credit provided under the EPU quotas. If ever the limited area of multilateral trade and payments that is embraced within EPU and the sterling area should expand—and an approach to something nearer genuine sterling convertibility be made—the London foreign exchange market should be well equipped to take up the challenge and its responsibilities. Its one real disappointment in 1953 has been that convertibility seems to be as far away at the end of the year as it was at the beginning of it.

The Decline in "Free" Gold

THE past year has seen some interesting developments in the international market for "free" gold—that is, gold dealt in at prices above the levels determined by the exchange parities of currencies as agreed with the International Monetary Fund. The dominant element in the history of this market has been the persistent fall in the free market price, which has crumbled steadily from \$37.50 a year ago to \$35.35, and now, therefore, is only a shade above the dollar parity price of \$35 a fine ounce. This decline has been the result of a persistent offering of newly mined gold in the free market and of a considerable contraction in the demand for premium gold. This sagging of demand has been primarily due to the easing of international tension, particularly in the Far East, but it also reflects the waning of hopes of an increase in the American official price of gold—hopes upon which a considerable bull speculation in gold had been built up.

Meanwhile, during this phase in which the premium on "free" gold has been running off, dealers in the London bullion market have been given a little—disappointingly little—scope for participating in the "free" dealings. London firms of bullion brokers have been granted permis-

sion to act as agents for the sale against US dollars of newly mined gold from the British Commonwealth to buyers outside the sterling area. This was a gradual development, which began with permission given to London houses to handle Rhodesian gold for sale against dollars outside the scheduled territories. It was then extended to Australian and West African gold. This agency business does not yet extend to South African gold, although in effect certain London houses, through subsidiaries established in South Africa, have handled much of the South African gold that has been sold in the premium markets, in processed or fabricated form.

Within the last few weeks the South African authorities have decided that, in view of the tiny premium now commanded by gold sold on the free markets, they must jettison the restrictions that, in deference to the wishes of the IMF, they had imposed upon all South African sales of gold in the free market. They no longer insist that such gold must be sold in processed form. The sales are still limited to 40 per cent of the supply of South African gold, but the gold can now be sold in the form of fine bars. It should be only a matter of time before the London market is

given the same facilities for handling South African newly mined gold as it already enjoys for newly mined gold from other Commonwealth countries.

The free gold market divides itself naturally into three broad areas—the Far East, the Middle East and Europe. In the Far East the most important dealing centres are Macao and Bangkok. During the past year the latter centre has gained considerably at the expense of the former. Trade in Macao is still hampered by the fact that all import licences are issued to one fabulous operator, whose virtual monopoly of the business has made this small Portuguese enclave on the mainland of China a decidedly expensive centre in which to deal, and one in which the expenses have not been sufficiently reduced to leave scope for profit now that the premium is so small. Siam has for some time past been a considerable hoarding centre for gold, and it has recently also become a transit centre independent of Macao.

The capacity of the Far Eastern market to absorb gold has been greatly reduced. Communist discipline, combined with the virtual disappearance of the wealthy merchanting classes, has achieved what a few years ago would have seemed unattainable—the virtual suppression of the hoarding demand for gold in China. The famines and agricultural destitution of the past year have even brought a certain amount of metal out of hoard. The market in Hongkong has continued to play some part in the Far East gold traffic; the customs and exchange controls that were supposed to restrict this have been to some extent circumvented, and have themselves been relaxed recently. Gold can now be sent to Hongkong on a "through" bill of lading. Bullion dealers, however, find that there are some inconveniences in this procedure, as the authorities in Hongkong may question the bona fides of a "through" bill if the gold in question remains in the colony for more than a very short period. The Hongkong authorities are also prepared to grant import and export licences for gold, but in their export licences they maintain a "black list" of destinations which at present includes Macao, the most important of the Far Eastern centres to which gold might be sent through Hongkong. It is now possible to obtain a gold export licence from the United Kingdom for Macao—but then to find that the transaction is interrupted in Hongkong because re-export from there to Macao is still prohibited. These anomalies in the gold market and the contradictions between British and Hongkong practices are probably temporary phenomena; the considerable advance that is being made towards a genuine freeing of the international gold market has not proceeded uniformly, or in any coordinated way, in the several centres.

The next main geographical grouping of the international gold market is the Middle East. The main centre of distribution for this group is Beirut. This market is fed by gold from Europe, and it supplies the Middle East countries, including Arabia; these countries in turn smuggle gold to the forbidden shores of India. The Middle East market has, however, the solid basis of a genuine continuing demand for gold for currency purposes. In Arabia and the contiguous sheikdoms, including that of Kuwait, gold coin still circulates and provides a means of payment as well as the recognised measure of value. The booming prosperity of these rich oil regions creates a steady demand for gold in all its forms—coins, bars and ornaments. The dhows of the Persian Gulf and the Arabian coast carry much of the smuggled gold to India. This traffic has

diminished considerably during the past year. One reason for this diminution is technical; the authorities in Kuwait and other Middle East centres have during the past year placed more rigorous controls on dealings in rupee notes, and this fact has considerably hampered the traffic in gold with India—since rupee notes necessarily constitute the main means of payment for the smuggled gold. The other and more fundamental reason for the diminution in this traffic has been the declining demand in India itself. The money surpluses that formerly went into gold hoards are no longer mounting up as they did in the years of postwar inflation; and this tightening of money has been reflected in a drop in the rupee gold price this year from 85 to around 81 rupees per tola (from \$47½ to \$45½ per ounce).

★

The European market has recently become only a shadow of its former self. France, which until a few months ago was the principal Western "sink" for gold, now appears to be saturated with the metal. The speculators who had bought in the confident anticipation of a rise in the official dollar price for gold have recently lost heart and have been liquidating at a substantial loss. Confidence in the franc has not revived, but there is a limit beyond which the French peasants and other men of wealth cannot go in immobilising their savings in the form of gold. The main buyer of free gold in France recently has indeed been the Bank of France itself; the bank has conducted a highly profitable trade by buying bar gold, while selling Napoleons and Louis coins to the French public.

Most of the gold reaching the Paris market comes through Switzerland, a country where transit traffic is wholly free from control. Geneva is the obvious transit centre and the imports into France, though illegal, can now be effected with such facility and have to overcome such perfunctory checks that they hardly deserve the name of smuggling at all, though that is what they are. Zurich is the main dealing centre. It has shared with Amsterdam the task of redistributing the increased offers of Soviet gold that have appeared on the market during the past year. The shortage of sterling in the hands of Communist countries has been reflected in the offers of platinum, silver and gold by these countries. The sales of gold have so far been modest, but in prevailing market conditions they have none the less been a significant marginal factor that has helped to press the free market price down to an extremely narrow margin over the official parity. Though the gold is of Russian origin, the bars do not usually bear the hammer and sickle brand of the Moscow mint. Before offering on this market they are remelted or, in market jargon, "put through the laundry" to remove their red taint.

The European market has not been noticeably affected by the ambitions of Tangier. The market there has failed to live up to the expectations that were held out when plans were made a few years ago for Tangier banks to use the complete exchange freedom enjoyed in that city to issue gold certificates through which free market dealings might be made without the need to ship bullion. Neither the financial standing of the city nor the prospects for its political stability have made it possible for Tangier to encroach on the free market to any considerable extent. In any case, the complaint of the gold dealers today is not about lack of markets but about lack of business.

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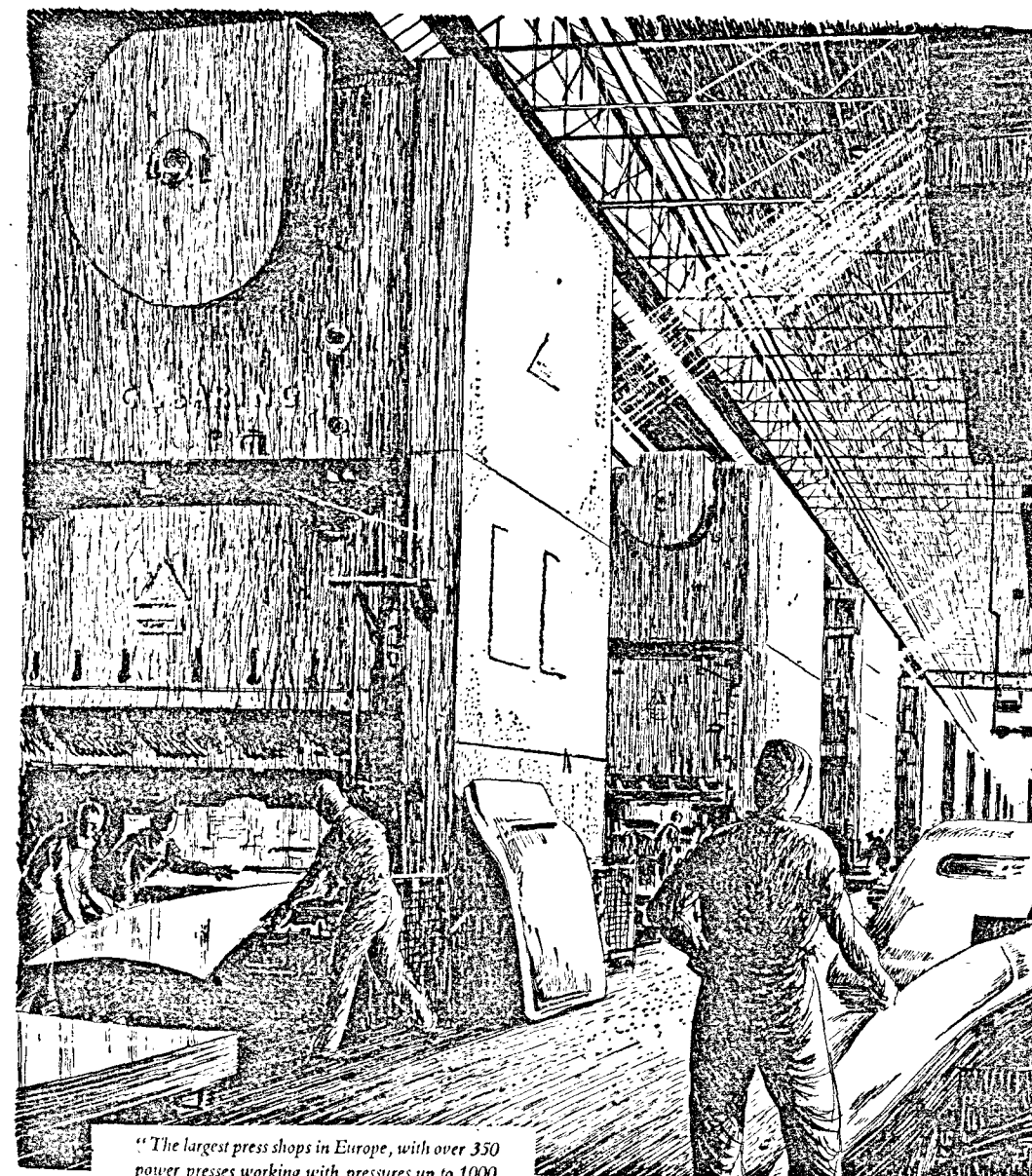
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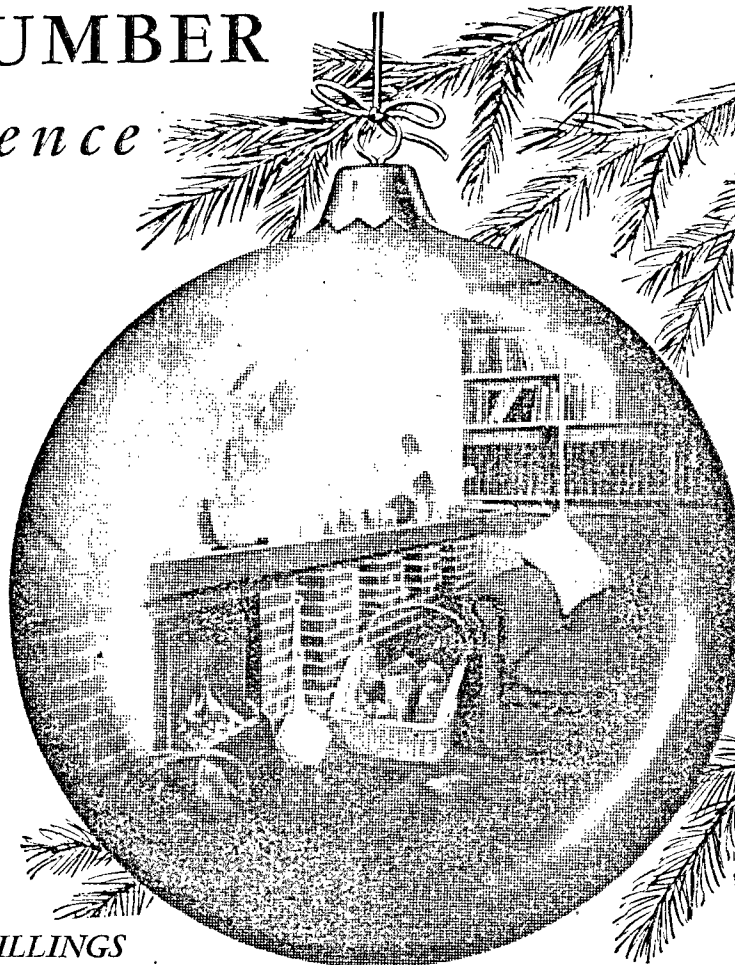
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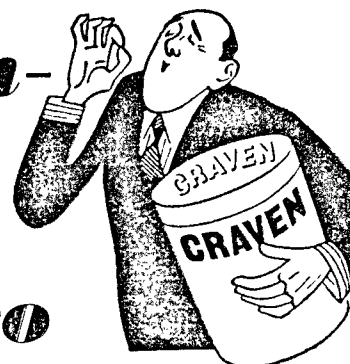
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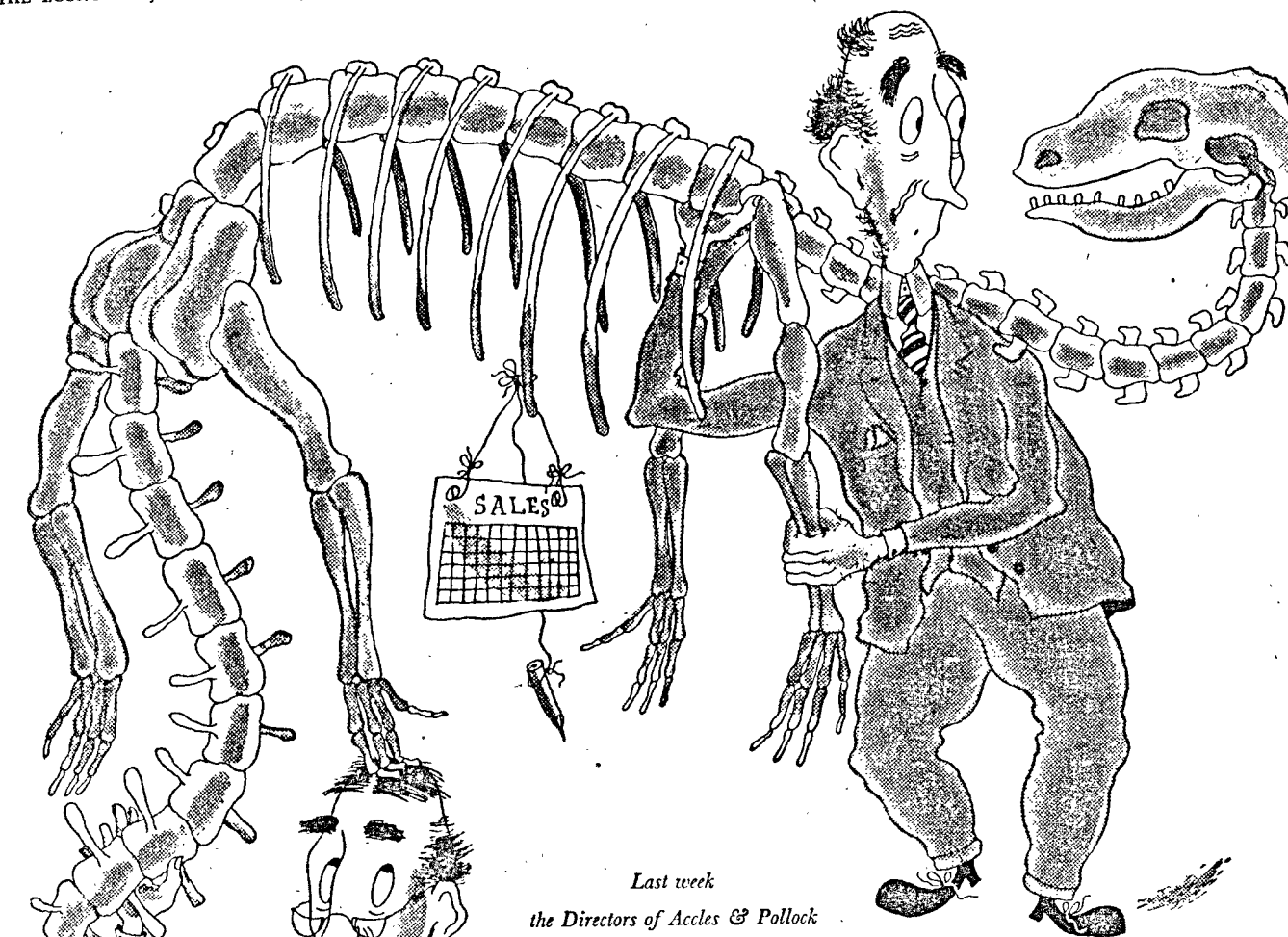
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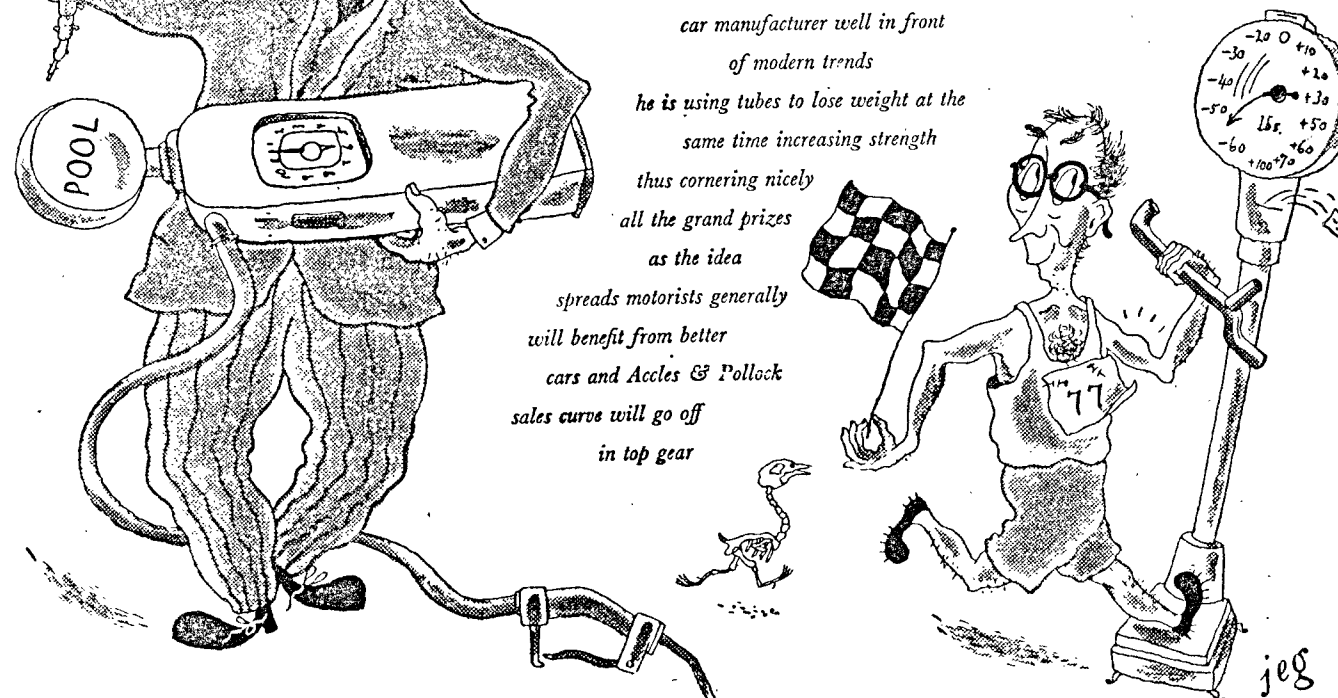
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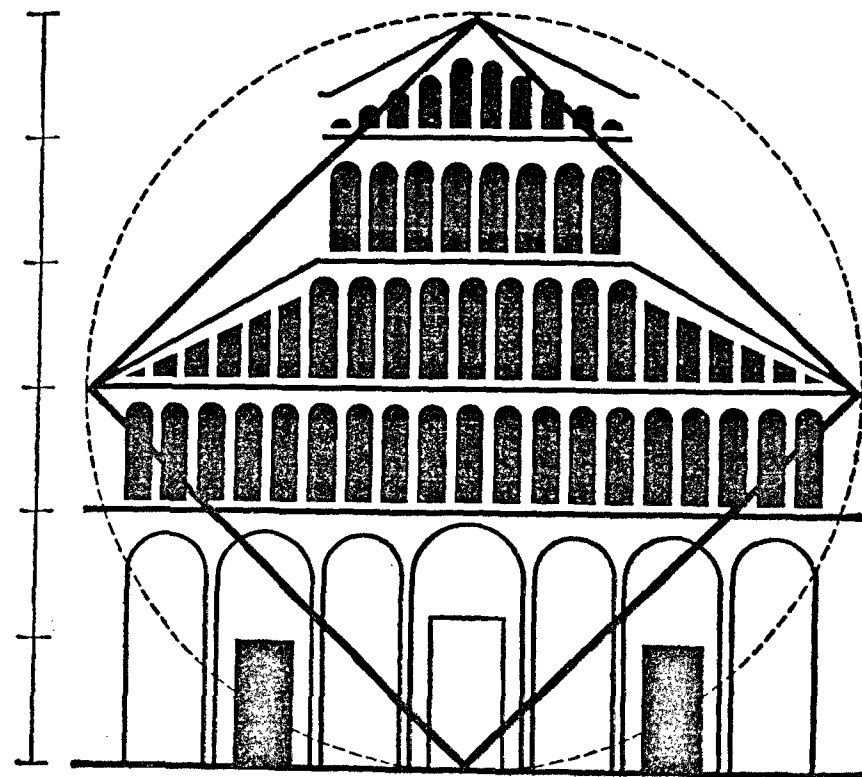
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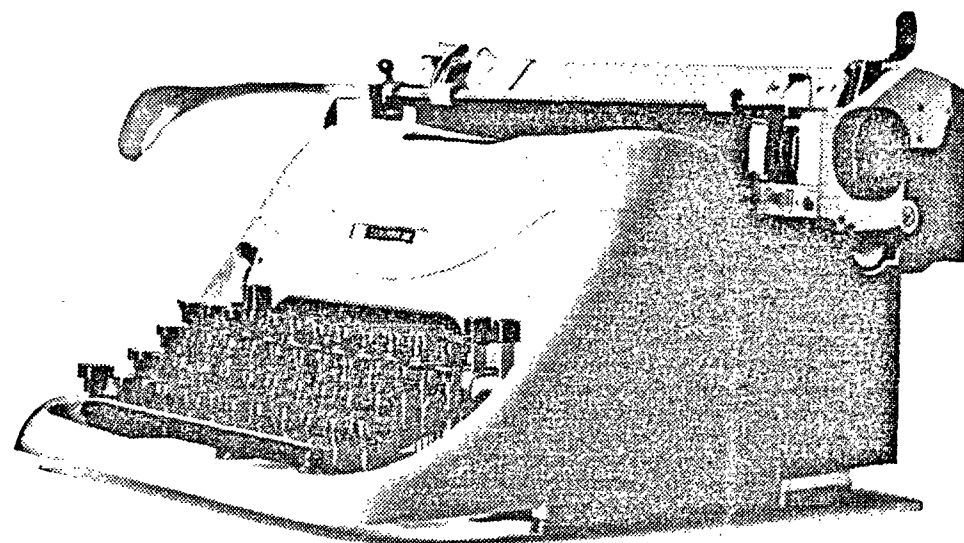
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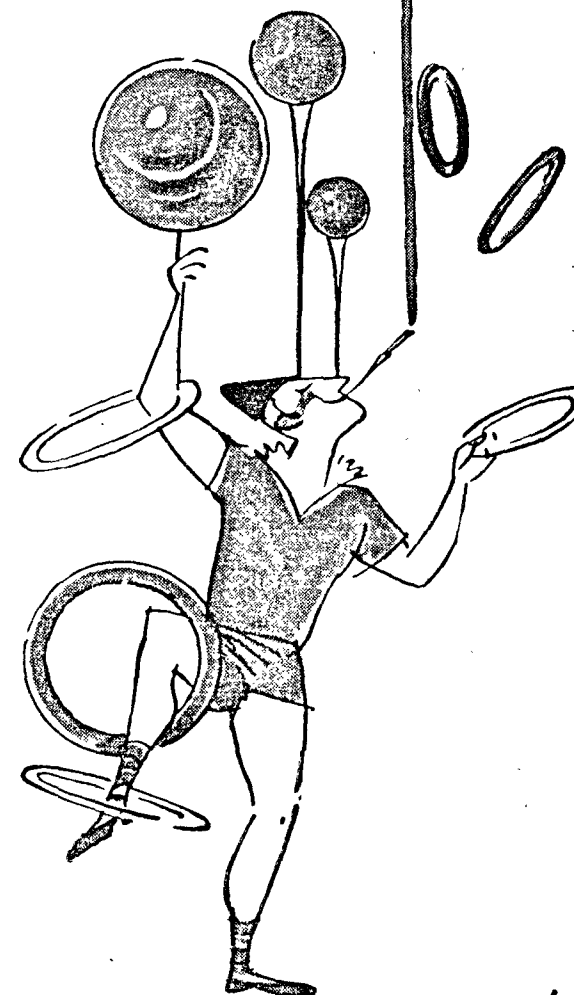
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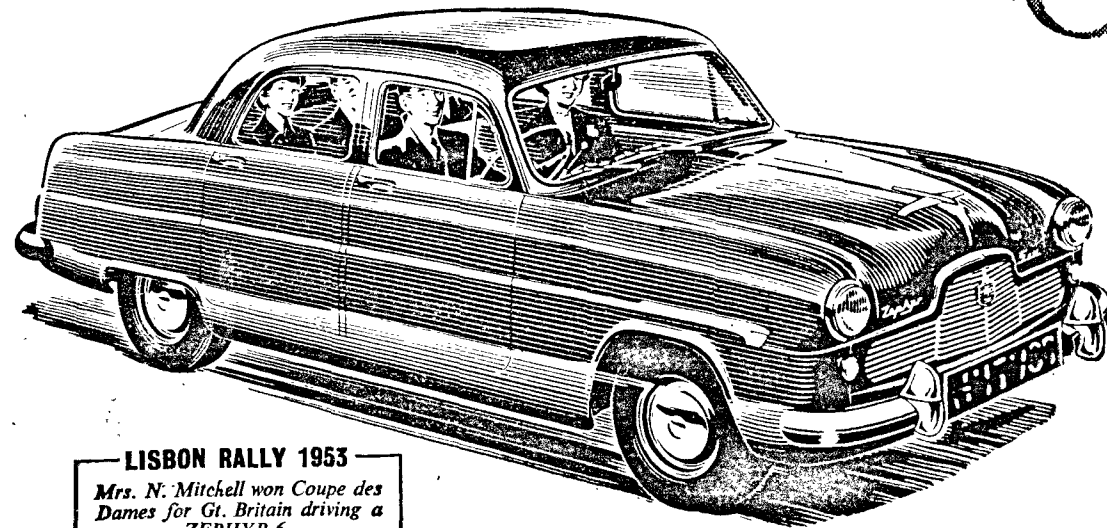
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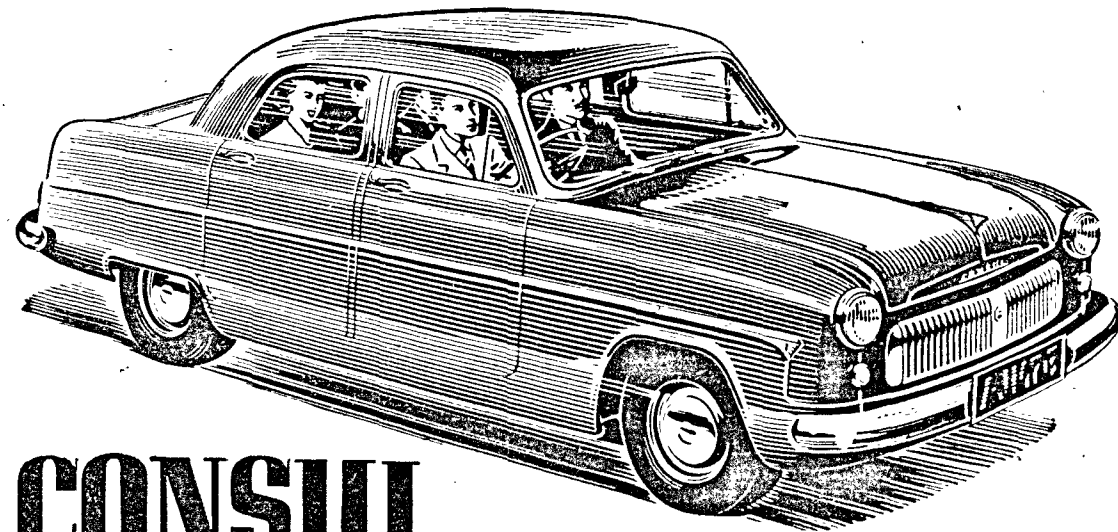
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The Economist

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NOVEMBER 21, 1953

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Conscription Continued

THE House of Commons has shown this week that, despite all the Bevanite disputes, defence policy remains in essentials a subject of all-party agreement. In the debates on Monday and Tuesday conscription for the armed forces was discussed both with unusual thoroughness and with much good sense on both sides. This was an accurate reflection of public opinion. Most young men dislike being conscripted, and their parents generally dislike it more. During two years' service much time is inevitably wasted on activities that do nothing to make the conscripts good reserve soldiers for the future, and some feelings of resentment cannot be avoided. Conscription imposes a heavy burden on individuals and on the whole economy of the country, and everyone must feel it to be unfair that there should be a two-year period of service here when most western countries consider eighteen months an adequate contribution to their common security. Nevertheless, public opinion is acquiescent; the necessity of the present conscription arrangements is accepted in good faith if not with complete understanding.

It is this that makes the issue on which the parties divided on Monday not only narrow but also artificial. The Opposition's defeated motion suggested that the time had come when the present two-year period of service should require annual renewal by Parliament, instead of remaining in force automatically for another five years unless Parliament moves to change it. The Government's case on this point is sound. Everyone hopes that the burden of conscription can be lightened, but the realistic presumption, as far ahead as can be confidently foreseen, is that in fact it cannot be. The legislation should surely reflect this public mood. The period of conscription can be ended or shortened easily enough if circumstances change; but in the meantime it would be artificial to treat conscription as an open question requiring a new Parliamentary decision every year. That would create an appearance of uncertainty about British military policy which fortunately has no real basis.

There is also a more particular criticism of the Opposition's defeated proposal. In fact what is suggested was a formal change in procedure, but with the phrase "the time has come" it would have been taken abroad to imply something more substantial; it might have suggested that a definite relaxation in Britain's defensive measures had become more likely. This would be a bad time for such an idea to get about. Nothing that has happened recently in international politics would justify a relaxation. If postwar British Governments of both parties have hitherto been right to provide for a settled conscription policy, running for more than a year at a time, this is emphatically not the moment to appear to make it all more doubtful.

But if this is an overwhelming case against the formal change proposed by the Opposition, it does not mean that all discussion of changes in conscription is superfluous, premature or harmful. On the contrary, there is much that needs up-to-date discussion and it

would be a pity if the Opposition's well-meaning concentration on an artificial point obscured the need. The need arises from the circumstances in which public opinion has come to accept that conscription is the only way for Britain to be secure. That acceptance arises from an historical process, not from any reasoned argument that could be consistently applied throughout the past eight years. At first, it seemed fair that men who had just missed the war should be called up in order that others might be demobilised more quickly. Then a public grown accustomed to the idea of a citizen's army accepted conscription as the natural way of dealing with the commitments of occupation left over from the war. And when this patience might have been exhausted, the dangers of the cold war reconciled people to the continuing need both for military training and, particularly after the Communist aggression in Korea, for the stationing of large forces overseas.

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In these circumstances the politicians have continually been saved from the necessity of justifying conscription to their constituents *de novo* in each particular set of circumstances. And, one suspects, the military advisers have thereby been saved from the necessity of justifying themselves to their political masters. To a remarkable extent, particularly for a country involved in great economic difficulties, the Services have been allowed to act, in the demands they have made on the nation's manpower, as judges in their own cause. The results, so far, may well have been good rather than bad. If political discussion had been more concerned since the war to probe into the real problems of defence policy, there would inevitably have been at first much fumbling and misunderstanding (as, indeed, there was in the Bevanite controversy); probably the country is at present the better for having left much to the military experts.

The difficulty is that such a situation is unstable. Sooner or later, in a democracy, politics asserts itself; and if the assertion is uninformed, it is liable to be badly timed. The changes in military needs that are obvious to the layman are not necessarily those that in reality call for the sharpest changes in defence policy. At the moment, for example, there is a possibility that a considerable number of troops will soon be withdrawn from the Suez canal base and some from Korea. There is no necessary and direct connection between such a reduction in commitments and the possibility of cutting the period of conscription. But it is very tempting for the politician to exaggerate the connection, and the more tempting because he is aware that new weapons may have far more revolutionary effects on strategy. Here again, the connection is less simple and direct than the layman is disposed to think; but he must hope, and indeed insist, that the enormous industrial cost of new weapons and equipment should be offset

by some saving in direct service manpower. Meanwhile, the military situation has certainly changed in the sense that Nato planning is no longer based on a "critical date," by which the greatest possible strength was to have been built up. Now the strategists' concern is with alertness over a long period. This change produced last year the Prime Minister's talk about a new pattern of defence, but its implications for manpower policy have remained mysterious.

The danger about all these uncertainties is that they may boil up on some trivial occasion and produce a demand to cut commitments for defence in a way and at a time that would do quite disproportionate harm. The danger will, of course, be the greater if a period of sharper economic stringency again comes into prospect. The temptation then, as last year, would be to make cuts that do not immediately affect the forces' strength—cuts in research and development expenditure and in production of the more experimental weapons—while leaving manpower policy unchanged. That would probably be mistaken; but it might also be unavoidable, if there had been no prior examination of how to make an orderly reduction in the forces' manpower without either suddenly shelving overseas commitments or wastefully throwing training programmes into chaos.

Thoughts of this kind would be misrepresented, not expressed, by making conscription dependent on annual renewal by Parliament. The presumption in the public mind is and should be that conscription will have to go on. But there is none the less a valuable element in the Opposition's attitude. It is important to have a continuing review, by people other than the military experts, of how conscription is working, of exactly what purpose in general defence policy it serves, and of how the scope and period of service could best be changed to meet various hypothetical changes in international affairs and in military circumstances. The object of such a review should be to increase public understanding of defence policy, to prepare the ground so that the political decisions—when they are needed, as sooner or later they must be—rest on a better basis of knowledge and are more easily intelligible to the public and to other countries.

A Royal Commission, which has been suggested for this purpose, would be too cumbersome and cautious. What is needed is a less formal, and in a sense a more politically minded, committee of inquiry. It should be charged in the first place to report specifically on the present operation of the call-up, but it could usefully be kept in being afterwards for wider enquiries. It might be an independent committee appointed by the Minister of Defence, but a select committee of the House of Commons would probably be more appropriate. Its appointment would not in any way imply that the public or the present Government is anxious to escape from Britain's commitments in western security; it would be the means of giving a proper point to the serious thought and public explanation that this week's debates have shown to be required.

Middle Eastern Alternatives

BECAUSE differences between Britain and Egypt over the future of the Canal Zone have been narrowed to a couple of crucial points, it would be wise to assume that a settlement is to be expected in a matter of weeks. Indeed, there is reason to believe that calculations in London may not be keeping up with events in Cairo. Our correspondent (in an article on page 591) reports that the Egyptian negotiators have suddenly become content to pause and let things ride; the reason for this is an improvement in their internal position, and another is the growing feeling that if they wait until 1956 and then exercise their right under the treaty of 1936 to appeal to the United Nations against the unwanted presence of foreign troops, they are sure to get a heavy vote against any British claim to stay. Simultaneously, in London, a posse of Tory back benchers and retired public servants is denouncing the impending agreement in advance, and without full knowledge of its content, as another British surrender in the Middle East—a Tory Abadan, as it were. The emotional debate provoked by such a prospect ignores not only the new state of mind in Egypt, but the fact that two distinct but related matters are involved. First, there is the question of what is a mutually acceptable Anglo-Egyptian arrangement about the base and the conditions in which British troops will be withdrawn; secondly, there is the question of what is a suitable and practicable policy for the Middle East as a whole.

It is often overlooked that the strategic and political setting of the Middle East defence problem has been changing. The traditional British fear of Russian expansion southward towards India and the Persian Gulf remains, reinforced by the revelation during the last war of what happens when North Africa and the eastern Mediterranean are under enemy threat; but the means for the protection of the Middle East bridge between Africa and Asia have altered. The United States, after generations of labelling Britain's technique of restraining Russia as "imperialistic," has suddenly seen the joint of the policy. Turkey, lying directly in the Russian path, is protected by and linked with the Atlantic alliance for the defence of Western Europe. Greece and Turkey have been given by the United States both a guarantee of protection and much military and economic aid. And American policy in the Arab states has been much more active and realistic in the last two years. Britain remains the great power with the principal military responsibility in the Middle East and it is, generally speaking, the wish of Commonwealth governments that it should remain so with their support. The line of communication is as important as it ever was, but no partisan of the policy any longer expects or desires that Britain should play the protective role on its own.

Indeed, any British Government that attempts to re-think its Middle Eastern policy finds itself from the outset taking into account the differing attitudes of half a dozen or more governments, even apart from the Middle Eastern states themselves. There is that of the United States, interested in defence against the Soviet Union, in security for oil supplies and in the safety of Israel. There is that of France, concerned with the growing links between the Arab League and North African nationalism. There is that of Pakistan, with its inclination to an Islamic grouping of states; and that of India which is suspicious of Pakistan's intentions and their effect on its own defence.

How different is this state of affairs from that which was familiar to British statesmen of the past. It was the old rivalry with France that first brought British forces to the eastern Mediterranean. But they stayed there all through the nineteenth century on guard against Russia. For a hundred years it was a main tenet of British policy to maintain, with the help of the powers, the integrity of the Ottoman Empire as a buffer; further east Persia filled a similar role. These policies were not devised out of love for the Turks and Persians, but simply to check Czarist imperialism. The discovery of oil and the immense development of the fields in the last half-century merely provided a most potent reinforcing argument for what was already traditional British policy. A new *raison d'être* was given to that policy just as the means for enforcing it by British power alone began to wane.

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There was, then, a time when Britain could go it alone because it could call simultaneously on a powerful Mediterranean fleet and on the Indian army. To maintain a similar monopoly of power in the Middle East today would require large and widespread military establishments, money to spare, and the will to make and execute policy singlehanded. Those factors have all diminished. The relative strength in war of Britain compared with that of the Middle East states themselves is as great as it has ever been—perhaps greater; but the threat of force (as Abadan showed) is apt to be derided as something outmoded and damaging to the government that uses it. The maintenance of British interests in the Middle East by anything like the old methods has become very difficult. Instead of dominating the area, the British are in it in force without dominating it. That, as the troubles in the Canal Zone have shown from time to time, may be worse than being out of the area altogether. It is no longer possible to stand alone.

There have been inconclusive plans and attempts to get round this difficulty. The idea of a Middle East Defence Organisation linked to Nato quickly faded away. In January, 1952, Sir Winston Churchill suggested in an address to Congress the despatch of a small token American force to the Canal Zone as a sign that Britain was there to defend an international interest. Nothing has come of that suggestion, but the idea behind it was certainly right. The key to the Middle East's security unquestionably now lies in Washington. Until very recently, it is true, British and American aims and methods in that area were more apt to frustrate than to supplement one another. In American eyes British policy was tainted with colonialism, and in British eyes American policy was foolishly sentimental. Neither charge could be proved, but both were kept alive by the fact, or the suspicion, of commercial rivalry. But the process of education—on both sides—which began with President Truman's guarantee to Greece and Turkey was sharply accelerated by the successive exposures of the extent to which British power had been weakened. Moreover, one of Dr Mossadeh's undoubted achievements was to demonstrate to everybody that western businessmen in the Middle East had more to gain than to lose by sticking together. Now, especially, since Mr Dulles's visit to the Middle East earlier this year, the essential identity of British and American interests has become clearer.

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There is, therefore, some chance of an Anglo-American policy for the Middle East, and it is important that nothing should be done to frustrate that chance, whether by stubborn action or by rash words. But what is the policy to be? The policy of dominating the area and insisting on a privileged position is no longer possible for Britain alone; is it possible for Britain and the United States together? It would require determination to the point of military toughness; it would run into serious moral opposition even in the Anglo-Saxon world; it would be resented and opposed in a Middle East which is far more capable than it used to be of turning resentment into practical retaliation; it would put Britain and America in the dock at the United Nations; and it would cost a great deal of money. In short, it is an unattractive policy.

A modified form of this policy would be to stay as partners instead of prefects. This has been tried and has in some cases failed: the Treaty of Portsmouth with Iraq and the Middle East Defence Organisation are its tumbled monuments. The hard fact is that what the Middle East, generally speaking, wants of the West—apart from oil revenues and aid in development—is its absence. Yet it is important to realise that the Middle East is unlike India. The material losses suffered by Britain in withdrawing from India have been offset by gains of a different kind; but in the Middle East states where the withdrawal has been partial there

have been no gains at all. Partnership with foreign powers is still not acceptable to most of the states concerned, largely because their governments have not acquired the kind of confidence and experience that enabled India to treat the Great Powers in an adult manner. Until that feeling has grown, a working political and economic partnership between local and foreign governments is unlikely to develop.

The real alternative to going it alone is therefore not to alter the terms on which Britain stays, but to get out on the best terms possible, to recognise that bases in unfriendly countries can be a serious liability, and to hope that the accomplished fact of withdrawal will create the possibility of new relationships later. This is as unattractive as the tough policy. Nor is it *a priori* much more likely to succeed. It involves trusting inefficient and wayward Middle Eastern states to keep the Soviet influence at bay (with the help of American and British money) without blackmailing the oil companies or hopelessly squandering the oil revenues. It means also running all the risks of open war between the Arabs and the Jews.

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What then remains to suggest? An alliance of Middle Eastern states on the lines of the Balkan Pact would have some virtues—but minor ones. A treaty between Turkey, Persia and Pakistan, for example, might have some effect in Moscow, for it would associate soft and unguaranteed Persia with a member of Nato and a member of the British Commonwealth. And it might encourage that local self-confidence the absence of which has been a barrier to acceptance of even so modest a venture as the Middle East Defence Organisation. But it is not at present practical politics, and even if it were, from the western point of view it would be a long-term gamble, justifiable only on the assumption that there is plenty of time before it would be tried in the fires of a real world crisis.

One thing is certain in this complex and baffling problem. The choice between the policy of toughness and the policy of withdrawal has to be made in principle, whatever local variations from it may prove possible—for example, in Jordan or, in the American case, in Saudi Arabia. Compromise in principle is not possible because a bit of one policy damns the whole of the other. Any possibility of reaping political rewards by withdrawal is jeopardised by the slightest tendency to revert to an assertive temper; and the difficulties of standing firm for the defence of vital interests are immeasurably increased by any hint of weakness or withdrawal. Of the two unpleasant alternatives, which is it that Washington and London, after mature consideration, have decided to go for? Until the public has been given some glimmering of the answer to that question, it will be quite impossible to form a reasonable judgment on the terms of any agreement with General Neguib that the Government may present to Parliament.

Television's Medium Wave

THE Government's White Paper on Television Policy (Cmd. 9005), which appeared last Friday, is primarily a political document. The task that confronted the Postmaster-General was not that of devising a framework for television that he believed to be ideal, but of producing a scheme that fulfilled the Government's promise to a group of its backbenchers to introduce some element of competition into television while offending as little as possible the influential and vociferous element within the Conservative party that is perfectly content with things as they are. It is only in this way that some of the White Paper's oddities can be explained. "As television" it says "has great and increasing power in influencing men's minds, the Government believes that its control should not remain in the hands of a single authority, however excellent it may be." An admirable sentiment, but surely as true—or virtually as true—of broadcasting to the ear as to the eye. Why then is sound broadcasting not mentioned? The answer is one of politics, not of logic. It is not that the Government thinks there is any distinction of principle, but because its commitment (which has turned out to be a rather awkward one) happened to refer to the one and not to the other. Or again, though a new broadcasting organisation is to be set up, no change whatever is to be made in the present position of the BBC or even in its plans for future expansion (unless the abandonment of the shadowy prospect of a second BBC television programme be so regarded). Here too, the reason is not that a set of arrangements designed for monopoly is thought to be equally perfect for the changed circumstances of partial competition, but that it will be hard enough to get the proposal for a second corporation through both Houses of Parliament without the task being complicated by a positive dismemberment of the BBC.

It is these conflicting pressures that explain why so much elaboration of structure is proposed for a minor part of the smaller half of what is in total not a very large industry—why there is so much steam hammer for so little nut. The BBC is encouraged to go ahead with its plans for providing television for 90 per cent of the population of the country. But in addition there is to be a new competitive system with a two-tier organisation. A second public corporation is to be set up and, with capital provided by the Treasury, is to construct and operate additional television transmitters. For the present only three are contemplated, in London, Birmingham and Manchester, and will therefore cover considerably less than the whole of England and none of Scotland, Wales or Northern Ireland. This corporation will not itself provide any programmes, but will hire out its facilities to "privately financed companies who would provide programmes and draw revenue from advertisements." The corporation will be responsible for laying down the standards that are to be observed

by the programme companies and for seeing that they are observed.

The White Paper does not make it clear how many programme companies are contemplated. Some sentences seem to assume a number; others hardly make sense unless there is to be only one for each station. This is more than a detail; it is fundamental to the scheme. The Government insists that its proposals do not amount to "sponsoring," and that the responsibility for what goes out on the air will not rest on the advertiser. For this to be true, it is essential for one company to be responsible for engineering a proper balance in the whole output of each station. But if it is possible for any organisation calling itself a programme company to buy an hour here and an hour there, nobody will have any positive responsibility for the programmes as a whole, as distinct from the necessarily negative powers of censorship exercised by the public corporation owning the transmitters. There is all the difference in the world between the balanced competition of two or more bodies each claiming to be judged on its output as a whole and the atomised competition of the American radio, in which every item competes with every other item. One of the first points to be elucidated is how many programme companies there are to be. If there is to be more than one for each transmitter, then the result will merely be "sponsoring" by another name.

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However many programme companies there may be, it is plain that the only source of revenue for the whole structure will be the sums that advertisers can be induced to offer for the privilege of catching the public eye and ear for a few minutes out of every hour. This is unfortunate, for several different reasons. First, it will inevitably give the programmes a much more money-catching character than will be acceptable even to many of those who most ardently want to see some alternative to the BBC. The White Paper makes the familiar point that "there is a vast difference between accepting advertisements and sponsoring," and goes on to argue that both the press and the cinema accept advertisements without surrendering to the advertisers control over their editorial columns or the films they show. But neither the press nor the cinema is entirely dependent on advertising revenue; nor is each advertisement nearly so closely tied up with a particular editorial item or a particular film as a television "commercial" is likely to be with the programme to which it is attached. The experience of the press suggests that broadcasting could draw some of its revenue from advertising without danger, but only provided that it had other sources of income as well—and it would probably be wise to prescribe that the other sources (which in practice could

only mean licence revenue) should always be the larger part of the whole.

The dangers of depending entirely on advertisement revenue are increased by the strong probability that the new television stations will have a hard struggle to make ends meet. The "representative advertising bodies" consulted by the Government appear to be confident that the new service will pay for itself, and, in particular, that the precautions to be taken against sponsoring will not dam the flow. But it is a very expensive matter to provide good television programmes. The new stations will cover only part of the country (though admittedly the most densely populated parts). And none of the existing television sets will receive the new programmes without modification. To the outside observer it would seem very doubtful whether, in these circumstances, there will be enough advertisers who will find it worth while to pay the heavy fees that will have to be charged if the overheads are to be covered and the initial borrowings from the Treasury repaid. Yet if the whole scheme is threatened with failure because of the shortage of revenue, the efforts to please the advertisers will be redoubled, and it will become very difficult for the guardian corporation to take a firm line in upholding the standards it has set.

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The third objection to complete dependence on advertising is perhaps, in the long run, the most serious of all. It will serve to confirm the public in the belief, which it has already far too easily accepted, that there are only two possible, and mutually exclusive, ways of organising broadcasting: either there must be a monopoly financed wholly by licence fees or, if there is to be competition, it inevitably brings total commercialism with it. And if it should happen that the advertising service never has enough money to provide good programmes—still more if it eventually expires—then

even those who see the dangers of monopoly will conclude that there is no escape from it.

Yet it is perfectly possible to devise a middle course—a medium wave—which would provide competition without commercialism. Let there be two or three public corporations, each constituted exactly as the BBC is now, and let them all share in the licence revenue (which might well be increased, since the present radio-and-television licence costs only about as much as four cigarettes a week per household). Then let each corporation, if it chooses to do so, take advertising revenue up to, say, one quarter or one third of its total income. Perhaps the possibility of a compromise scheme along these lines is just beginning to come over the horizon. The motion that Lord Halifax and his friends have put down in the House of Lords recognises "the desirability of an alternative television programme"—which is a very considerable advance for this school of thought—and if they attempted to argue that even the smallest admixture of advertising would corrupt, they might be invited to remember that the BBC already enjoys a large revenue from advertisements in its publications.

This, it must be hoped, is the way in which the public debate will develop. The internal defects of the Government's proposals are so great that they cry aloud for amendment. Any attempt to change them in the right direction—to make a greater inroad on monopoly but with a smaller dependence on advertising—should be supported. But outright rejection would be a great pity. For this White Paper has one overriding virtue which, when the tale is complete, may be found to outweigh all its absurdities. It keeps the question open; it keeps the discussion alive. The very defects of the scheme proposed make it certain that the Government and the public will soon have to think again, and go on thinking, about the right framework for broadcasting in a democracy. From that nothing but good can result.

The Sinews of Tito

TOMORROW nearly 10½ million Yugoslavs go to the polls in circumstances, highly favourable to their present rulers. Indeed, it will be surprising if a virtually unanimous vote is not recorded for Marshal Tito and his policies. His recent moves in more liberal directions have been popular among all but the diehard Communists who are still to be found in positions of influence, and his determined reaction to the allied declaration of October 8th on Trieste will have rallied national feeling as nothing else could. By next week the Marshal should be able to point proudly to the firmness of the political ground on which he stands, and his representatives should be able to go into negotiation on Trieste somewhat more confidently than those of the harassed Signor Pella. That is not to say

that there are no pitfalls around his feet; in the economy that has been so closely linked with the West there are weaknesses that are less well known than the more apparent political success of the Yugoslav state.

More than once in recent weeks Marshal Tito has tried to maintain that his country's attitude towards the Trieste problem could not be influenced or modified either by the western economic aid it has already received or by its prospects of getting more. Yugoslavia has known before what it is to be completely isolated; it could happen, he said on one occasion, that "we shall again stand alone." Such statements are gestures of defiance to those who, in the Yugoslavs' view, have let them down so badly over Trieste. If, as is probable, they are based on a belief that the Yugoslav economy

is now in good working order, they are also an unintentional tribute to the ability of the western capitalist powers to help—in the short space of four years—a struggling socialist economy on to its feet without impairing its political independence. Even when full allowance has been made for the ability of the Yugoslav people to accept hard work and short commons, the western powers can still feel gratified as this unsolicited testimonial. (Soviet satellites, please note.)

That the Yugoslavs should now proclaim their ability to "go it alone" if necessary was only to be expected; in the emotional atmosphere created by the Trieste crisis it would be odd if they did not. The question is, how far is the wish the father to the thought? Is the patient really strong enough to stand on his own feet without any ill-effects? Those who have made an important contribution towards building up his strength will be the first to be disappointed if an impartial examination discloses that he is still only convalescent. It would be a poor return for the millions of dollars in grants, loans and credits from the free world that have been pumped into Yugoslavia during the last three to four years if its economy were not well on the way towards becoming a working proposition—if it could not exploit its own resources effectively, build up and maintain its own defences, provide its own people with an adequate standard of living, and begin to pay its own way.

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There is no doubt that today Yugoslav industry has recovered from wartime devastations and reached a stage of development that many people would have thought impossible a few years ago. Marshal Tito's advisers have realised that they must cut their coat according to their cloth. Most of the key projects to which they accordingly reduced their hopelessly ambitious five-year plan three years ago, are now either completed or nearing completion. They are designed principally to tap the country's rich natural resources which have been neglected so long—to develop electric power, coal-mining, and the mining and processing of iron ore, copper, bauxite, and the other metals and minerals found under Yugoslavia's soil. Existing industries have been modernised, new ones developed. The production of electric power, which before the war was negligible, has now increased to such an extent that there is more than enough even for Yugoslavia's greatly swollen requirements.

Coal production is now almost twice what it was before the war. The steel industry using home-produced iron ore, pig iron and coke, has made great strides forward; crude steel production has nearly doubled compared with pre-war. The lead mines of Trepca and the copper mines at Bor—both well-known foreign concessions before the war—have been modernised. Bauxite production will shortly be sufficient to produce 15,000 tons of aluminium a year; before the war less than 2,000 tons were produced.

The beginning made in the manufacture of machine tools has received warm praise from foreign observers, and the Yugoslavs reckon that their light industries can now supply the modest demand for consumer goods.

Thus, in spite of the gaps that still remain in their industrial development (of which the chief is, perhaps, poor communications) and the problems still to be solved, the Yugoslavs have reason to be pleased with the progress they have already made. It has, moreover, been accompanied by a small but steady increase in living standards. They could probably now—at a pinch—do without any more western aid; in any case, this will begin to taper off quite rapidly. But they can ill afford to do without western technical skill and know-how. And they can hardly hope to make further progress unless they can maintain and develop their trade relations with the outside world. This means in practice the non-Communist world, because even if Marshal Tito resumes trade relations with eastern

JUGOSLAVIA'S INDUSTRIAL PRODUCTION
(In '000 tons)

	1939	1948	1952
Coal.....	6,973.0	10,724.0	12,098.0
Iron ore.....	666.8	864.4	676.0
Pig iron.....	101.0	172.0	273.0
Steel.....	235.0	368.0	442.0
Copper ore.....	983.9	1,049.7	1,264.9
Blister copper.....	41.6	36.8	32.8
Lead-zinc ore.....	774.7	850.6	1,203.7
Refined lead.....	10.6	49.2	67.1
Bauxite.....	718.5	136.4	577.1
Aluminium.....	1.7	1.8	2.5
Crude Petroleum.....	1.1	36.4	151.5
Electricity (mil. kWh).....	1,100.0	2,007.0	2,700.0

Europe—as he may well do eventually—the satellites are unlikely to prove satisfactory trade partners. Over the last four years Yugoslavia's indebtedness has reached a total of over \$400 million. Yugoslavia's creditors will not be willing indefinitely to cover its trade deficit; and although on the whole its need for imports of industrial equipment is steadily diminishing, purchases of certain industrial raw materials, such as cotton and wool, will always make heavy inroads into its foreign exchange.

Yugoslavia's best chance of reaching economic viability and wiping out its trade deficit lies in a rapid expansion of its agricultural exports. Agriculture, in fact, is both the trump card and the losing card of the economy. It is the trump card, because in a normal year Yugoslavia can grow enough to feed its own population of 17 million and have enough left over for export. It is the losing card because in a year of drought—and in the last four years there have been two bad droughts—the Yugoslavs may be reduced to starvation level unless they can get outside help. But the Yugoslavs, like Communists everywhere, have until

quite recently been loth to recognise the importance of agriculture; all their care, attention and resources have been lavished on industrial expansion, and now in the countryside there is a great deal of lee-way to be made up. Mechanisation has made only very limited progress; and there is a wide and gaping need for every kind of stock and equipment.

The 10-year plan for agriculture, which is designed to remedy this neglect and is now under discussion, will, even with the help of western tripartite aid, prove a heavy strain on Yugoslav resources; about 640,000 million dinars are to be invested in agriculture over the next ten years (compared with the 116,000 million invested in industry over the last five years). But the plan does not outstrip the need. It is essential both to step up agricultural exports, and to take what steps are possible by stockpiling and by irrigation measures to cushion the effect of years of drought.

Investment in agriculture is also essential from a political and social point of view. The Yugoslav Communists have had the sense to recognize that, on the whole, collectivisation does not work. They have had the courage to cut their losses and allow those who wished to leave the collectives and return to private farming. This step has gone a good way towards

restoring the Yugoslav peasants' confidence in their present rulers; but it must also have caused a good deal of dislocation. If Marshal Tito is both to press home the advantage he has gained with the peasants and obviate the effects of the dislocation caused by the disbanding of the collectives, every effort must be made to pump tractors, seeds, fertilisers and all the rest into the countryside.

On the whole, therefore, it can be fairly said that the Yugoslavs, as a result of their own hard work and a generous helping hand from the non-Communist world, are now better able to stand on their own feet than at any time since the war. But they have some way to go yet before achieving a viable economy. Under the most favourable circumstances they cannot expect to see any rapid increase in their comparatively low standards of living; the profits of industrial expansion must be ploughed back into industry and agriculture; the consumers cannot for some time hope to get a much larger share of the national cake. If they are now to consolidate their gains and move forward economically, they will need good harvests, expanding trade relations and a minimum of alarms and excursions in the international field. That is not quite the same thing as an ability to stand alone.

Notes of the Week

Demonstration Strike

THE wage dispute in the engineering industry has now reached the stage at which the Communists can take full advantage of the diffuse nature of the Confederation of Shipbuilding and Engineering Unions. Their demand for a one-day token strike was endorsed by the policy-making national committee of the Amalgamated Engineering Union and accepted on Thursday by the whole confederation. It will be on December 2nd. This is an excellent example of the few influencing the many. The AEU, if it wishes to press the matter, can usually control the confederation, just as the confederation can usually determine the wages of about twice as many workers as belong to its 39 affiliated unions. And the policies of the AEU, these last few weeks, have been determined by the handful of Communists on its national committee.

The result, in this case, may not be serious, but it will have been the work—the planned and calculated work—of the British Communist party. It is interesting to note that Communist parties abroad have also been calling one-day strikes. It is difficult, however, to see what a one-day strike by the confederation is expected to achieve. Leaders

of the non-Communist unions in the engineering industry have made plain their doubts about the wisdom of the whole enterprise, mainly because they feel that a one-day strike will give employers an excuse to discharge unwanted workers. They might also reflect on the uselessness from any point of view of stopping an industry for a day. A one-day strike would, of course, interrupt continuous processes, but in the main it would not amount to anything much more serious than adding a second Sunday to the week in which it is called.

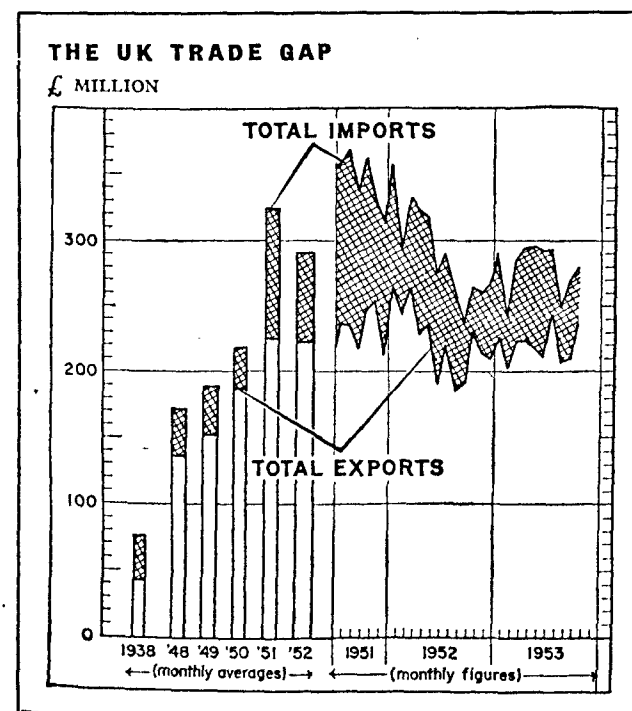
The ultimate danger, from the unions' point of view, is that once the strike has been called they are committed to an attitude of intransigence and wrath which they may feel bound to sustain. Even if every factory in all the land is idle for a day the unions will have done nothing more than prove the extent of their own ferocity. Unless the employers are impressed, and it is most unlikely that they will be, the unions will have to think of some fiercer punishment, if only to maintain their own prestige. Yet the willingness of men to take a day off in fact proves nothing about their determination to press for more pay by a prolonged strike. And each time the unions have to show their anger and their strength their members suffer, along with the nation.

Molotov's Second Thoughts

IT seems to have been quickly realised in the Kremlin that its latest Note to the western governments was felt as a cold douche by the very people in Europe that it is trying to mobilise for a campaign against the European Defence Community. The man who gave the shock was asked to soothe the patient; so last week Vyacheslav Molotov took the exceptional step of inviting newspapermen, including foreign correspondents, to a press conference at the *Minindyel*, Moscow's foreign office. The gesture was novel, but the words behind it were unchanged. Molotov's fifty-minute talk was less clumsy and more flexible than the Note but it showed no departure from its content. If his purpose is to attract western, and especially French, public opinion the second thoughts have failed to remove the bad impression made by the first.

Prospects of a conference of the powers were probably shattered when Dr Adenauer's electoral triumph strengthened western determination to go ahead with the integration of Germany in Europe and caused the collapse of Soviet hopes of a following in the Federal Republic. Perhaps neither side has now anything to offer the other in a bargain. But that is not to say that Soviet policy has resigned itself to accepting German rearmament. It is launching the Communist legions in the West into the strangest alliances for an attack on the European Defence Community. Why Molotov should not also have accepted the invitation to Lugano and directed this campaign from there is still not clear. It can hardly be that Mao Tse-tung has insisted that China's claims to make a fifth with the Big Four should first be recognised. By ignoring a good chance of talking, the Kremlin has disappointed all those who saw in four-power negotiations an alternative to rearming the Germans.

When asked by a foreign journalist whether he favoured



a meeting at the highest level (Eisenhower, Malenkov, Churchill) Molotov avoided the question. Two days previously a Tass communiqué denied rumours that Malenkov had been asked by the British Foreign Office whether he would be willing to attend such a meeting. The Soviet line seems to be that such reports are being circulated as excuses for the Bermuda Conference. It is impossible to avoid the conclusion that the Soviet leaders are not, for the moment, interested in negotiations about European matters. Mr Dulles goes further and says that the initiative now lies with the West. That may be; but he would do well not to encourage the idea that new and startling moves are to take place. There is much to be said for a period of diplomatic calm, in which public opinion is not swung every three months from hopefulness to apprehension and back again.

France Before Bermuda

FOR the French Premier and Foreign Minister all is not plain sailing on the route to Bermuda. As *The Economist* goes to press MM. Laniel and Bidault are facing in the National Assembly the first full scale debate on foreign policy that the French lower chamber has had in the last twenty months. With the conference in mind, the debate has turned into a preliminary trial of strength between the opponents and partisans of EDC, who are expected to start their real contest at the beginning of 1954. Whatever its outcome, this preparatory exercise will at least make it possible to appraise the balance of parliamentary forces and thus add substance to French declarations at Bermuda. The French delegates are, in fact, facing their Anglo-Saxon colleagues with the obvious handicap of being known to be merely caretakers. The presidential election—incidentally both M. Laniel and M. Bidault are candidates for the Elysée—renders the resignation of the present government inevitable early next month. This gives added importance to the Assembly's present mood on foreign affairs.

The partisans of EDC, encouraged by M. Bidault's recent declaration of thoroughgoing support, have thus a good opportunity to counter-attack. Up to now the opponents have been more vociferous. The Communists have trumpeted their offer of "national front" to anyone who is against German rearmament. As a curtain-raiser to the debate General de Gaulle held a press conference, in which he reiterated his bitter dislike of EDC and of the projects of political community. The parliamentary troops loyal to the General are really the main cause of M. Laniel's headache. While there are EDC supporters outside the governmental coalition, particularly among the Socialists, the Gaullists sitting in the government do all they can to frustrate the project. Their tactic is, therefore, to insist on the presentation of a purely governmental motion, and thus place before M. Laniel the alternative of producing an innocuous motion or being left by their resignation with the barest of majorities.

Whatever steps M. Laniel takes to get out of this predicament, the debate will serve as a thermometer to be consulted by France's partners in Bermuda. Reports that Sir Winston Churchill and Mr Dulles will present M. Bidault with an ultimatum have been promptly denied; it is hoped, on the contrary, that they have thought of ways of convincing his countrymen that the defence community is safe for France.

The Weapon of Secrecy

By now it is almost a tradition that debates on disarmament in the United Nations Assembly should be sterile. Year after year, the Soviet delegation produces new and often ingeniously worded formulae which capture the world's attention and sometimes even raise its hopes; but hopes die when it is seen that each new slogan is only a smog-mask behind which Mr Vyshinsky's face remains regrettably the same. Last week, Mr Vyshinsky did not even bother to beam. Instead, he made the disarmament debate an occasion for lambasting the West on every conceivable issue from Korea to Germany; he seemed almost to be going out of his way to slam any doors that might have been left ajar by Molotov in the last Note from Moscow. If this was saddening, it was hardly surprising, for the end of the post-Stalin honeymoon had been clearly marked long before the Assembly began this year's discussion of a familiar theme.

The basic differences which divide the Soviet group from the majority of nations on the issue of disarmament seem likely, therefore, to remain as unbridgeable as before. The essence of these differences is that the majority group—which is by no means limited to the western powers—insists that any disarmament plan must be watertight; while the Russians, with equal insistence, call for an act of extraordinary faith. The various proposals they have put forward at various times have one thing in common: there would be no census of armed strength before disarmament began, and very little means of verifying progress after it had started. This amounts to asking the rest of the world to open its mouth and shut its eyes, in the hope of finding a sweet on its tongue; and it is not surprising that peoples who have in the past found themselves swallowing unexpected pills should be a little wary of the offer. It may well be asked why the Russians themselves feel able to take such a risk. The answer is, of course, that the armed strength of the free nations is largely an open book to them, while their own is shrouded in darkness. Secrecy is itself one of Moscow's secret weapons, and it is unlikely to be thrown away.

Fifth Wheel Misplaced

THE addition of a fifth minister at the Foreign Office has received less attention than it deserves. The official explanation, that Mr Eden needs more help in the House of Commons, is a considerable over-simplification of the problem that the change is designed to meet. The Foreign Office's representation in the House of Commons must certainly be strong enough to leave Mr Eden free to go abroad while Mr Selwyn Lloyd is at the United Nations, but this is not the only point at which there is strain and finding a solution is not just a question of arithmetic.

It is generally agreed that under present conditions no Foreign Secretary can give adequate, personal attention to all four main aspects of his work—contact with foreign statesmen, study of reports, answering for his department in Parliament, and actual formation of policy. Too often

the routine of the first three items leaves little time for the fourth and most important. Merely to give the Foreign Secretary a large number of aides is, however, of little use if there is no corresponding delegation of authority. If Mr Eden is to feel real relief from his quartet of assistants, he must be prepared to leave with them some of his personal responsibility for taking decisions. How this should be done is open to argument. The American system of giving junior ministers geographical responsibilities could be followed, or Lord Reading, the new Minister of State, Foreign Office, could be in effect (as his title implies) a resident Deputy Foreign Secretary, acting as a sieve and leaving for Mr Eden's decision only those issues on which the Minister of State and the Foreign Office experts are either uncertain or divided.

But if the latter course is followed, then the fact that the new resident Minister of State is in the House of Lords is open to objection. He will be handicapped in his work by lack of direct contact with the House of Commons while, in the absence of Mr Eden and Mr Lloyd, only the two young Under Secretaries will be left to deal with the Commons. What Mr Eden needs in the House is a minister of Cabinet rank permanently on hand and able, by his seniority, to speak with the same authority as, for example, did Mr Gaitskell when he was Minister of State for Economic Affairs during the last months of Sir Stafford Cripps's Chancellorship. The new Foreign Office arrangement would be far more effective, therefore, if the resident Minister of State were in the Commons, leaving one Under Secretary in the Lords. To say this is not to imply personal criticism of the appointment of Mr Dodds-Parker as the new Under Secretary. But the arrangement of the posts does not look satisfactory.

Rents and Subsidies

THE Government has now introduced its Bill to lessen the destructive effects of rent restriction, and it is up to the local authorities to tackle their related part of the housing problem. Local authority houses are not subject to rent control but there are extravagant and anomalous methods of fixing their rents that equally require alteration. The report* of the committee which has been examining these methods therefore comes at a timely moment.

The original and proper purpose of the housing subsidies was to bring the rents of council houses within the means of their occupants. The tendency, however, has been to tie the subsidy to the house rather than to the needs of its tenant, so that the rents of similar houses vary widely according to the date of their construction and the prevailing scale of subsidisation. This is an indefensibly wasteful use of public money. Under postwar policy, council tenants have been drawn from a broad range of occupations and income groups. It is well known that many of them could afford to pay a higher rent, while their subsidy is paid for in part by families much worse housed than themselves.

Some authorities have introduced a rent surcharge on

* "Transfers, Exchanges and Rents." Report of the Housing Management Sub-Committee of the Central Housing Advisory Committee. HMSO. 1s. 9d.

tenants whose income exceeds a stated maximum, usually £500. Others have graded their housing estates into distinct rent categories, with subsidisation varying all the way from nothing to well above the normal subsidy. A common practice is to treat prewar houses as a pool of cheap accommodation available to meet the needs of poorer applicants. But these devices are at best blunt instruments for relating the subsidies to their proper purpose. More promising are the differential rent schemes, under which a basic rent is first fixed for each dwelling according to its size, location, and amenities, but the actual rent is then varied within a considerable range according to the tenant's means, on the assumption that about one-eighth of his income should be available for rent. This type of scheme also makes possible much more flexibility in the letting of dwellings and in the exchange of tenants. The most interesting of the committee's findings is that opposition to differential rent schemes has always faded quickly after their introduction. Local authorities have power to pool their subsidies and rationalise their rents, and they can no longer make fear of unpopularity an excuse for shirking the task.

Industrial Evacuation

MORE than 300,000 Londoners will during the next twenty years shift their homes to towns some thirty to eighty miles away. Such, at least, are the present schemes of the London County Council. But the programme cannot succeed without an equivalent dispersal of industry; and as the clerk to the council, Sir Howard Roberts, pointed out this week at a conference of the Town and Country Planning Association, the dispersal is not yet in prospect. The towns scheduled for expansion may well attract new industry; but unless it is drawn specifically from London, and is not replaced, the policy will have failed. In that case the basic problems of the capital—the overcrowding of dwellings, the traffic congestion, the pollution of the air, and the vulnerability to air attack—will be in no way alleviated.

The Government's present scheme is that firms moving to the "reception" towns shall notify the Ministry of Labour of the workers they require; and the Ministry shall relay this information to the housing authorities in London, who will select from their waiting lists people who both possess suitable skills and are willing to move to the required town. Sir Howard argued that this machinery is too devious and limited to be successful. The London housing authorities, who must help finance the dwellings built in the reception areas, want to be assured that the result really will be to lighten their housing load—otherwise they will simply assist towns like Swindon to prosper at their expense. At present they have no such assurance; for if a firm does leave London for Swindon, there is nothing to stop another firm from occupying its vacated premises.

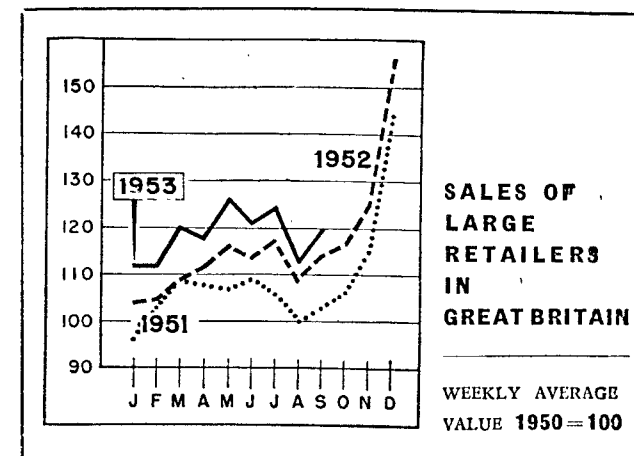
The basic problem cannot be solved at all by tinkering with housing lists and allocations. It cannot be fully solved by tightening planning controls over industrial location in London or by redirecting the policies of the Board of Trade—although these things would certainly help. The cost of acquiring sufficient industrial sites in London to

make possible the present dispersal policy is estimated by Sir Howard at over £50 million. This is too much for the pocket of any local authority. The social and strategic gains—not to mention a large saving in the housing subsidies, because houses can be substituted for flats—may well justify this expenditure; but it is for the Government to decide whether dispersal is worthwhile in the national interest—and, if it is, to meet the cost.

America, India and Pakistan

MR DULLES has now denied the reports that negotiations have been going on for a military pact between the United States and Pakistan. This denial, however, has not averted an increase of tension in the relations between India and Pakistan owing to Mr Nehru's strong expression of disapproval on principle of the hypothetical pact, coupled with his intemperate attack on the new Pakistan constitution as "a medieval conception totally opposed to democracy." Although Mr Nehru at his press conference admitted that it was "open to Pakistan to have military bases and even foreign troops on her soil," he said that this would have "far-reaching consequences on the whole structure of things in South Asia" and that India would have to "watch developments with the greatest care."

Whether it would be desirable to bring Pakistan into any security system for the defence of the Middle East is a question for serious consideration, taking into account both the strategic and political aspects of the matter. The argument for trying to do so is that aid could best be given in an emergency to Persia and Iraq from a point somewhere near the mouth of the Indus, and that a friendly Pakistan might be better than an unfriendly Egypt as a base for Middle East defence. On the other hand, the motives which might induce Pakistan to join in such a defensive system would almost certainly not be confined to the possibility of a Soviet advance towards the Persian Gulf; though it would definitely be in Pakistan's interest to prevent such a Soviet expansion. It is only too likely that Karachi would also have in mind the strengthening of Pakistan's position in relation to India, especially on the Kashmir issue, which would assume a new importance in a Middle East strategic conception inclusive of Pakistan.



The whole prospect is so complicated that only two things are perfectly clear. The first is that the setting up of bases is a matter on which the United States and Pakistan would be wise to consult Britain and India. The second is that India, because it adopts a neutralist attitude in public on world issues, is not therefore entitled to exercise a veto on Pakistan's defence policy, which cannot simply ignore the Middle East.

More Liberalism in Kenya

THE elected European members in Kenya's legislative council chose a good moment for their comprehensive statement last week on constitutional and economic policy. At first, the Mau Mau outbreak did much to destroy the hopes of a better atmosphere between African and European that had previously been appearing in Kenya. More recently, however, there have been signs that the long drawn-out emergency was persuading men of all races to question some accepted tenets and to try to make a fresh start. While there is little strictly new about the Europeans' proposals, they are a constructive and welcome gesture. Particularly encouraging is the hint, given by Mr Blundell when commending the statement, that the discussions between the races on constitutional reform—postponed indefinitely by the Mau Mau outbreak—may, after all, come about.

Understandably, Mr Blundell concentrated on convincing the settlers that a liberal approach did not involve jettisoning their interests; and his speech was more remarkable for what it rejected than for what it proposed. He dismissed out of hand any suggestion of immediate self-government not only because Britain is doing so much to help in the emergency, but on the interesting theory (which politicians in Northern Rhodesia would do well to study) that a sense of unity between the various races in a colony is a necessary condition of self-government. He was equally emphatically against partition. The only possibility was gradually to allow the Africans and Asians a share in Kenya's politics.

Fine words, of course, do not go far. Africans have listened to enough already. The polite generalities already show signs of degenerating into the familiar haggle over percentages and numerical representation and the right atmosphere is unlikely to develop unless the Kenya government is soon able to announce the bold policy of agricultural and social development that everybody wants but nobody is able to pay for. Much depends on what the Finance Member, Mr Vasey, has achieved by his fund-raising visit to London.

Masking the Fog

THE first widespread fog of the year coincided with the bringing of anti-fog masks into the "free" health service. It also coincided with London County Council's consideration of a report which is to be the basis of the

council's evidence to the Beaver Committee on Air Pollution. The report recommends, among other things, Government action to ensure ample supplies of smokeless fuel at competitive prices; the establishment of smokeless zones by order; fog warnings; and more extensive cleaning of coal. These recommendations, however impracticable some of them may appear for the present, have at least the merit of tackling the menace of fog at its source.

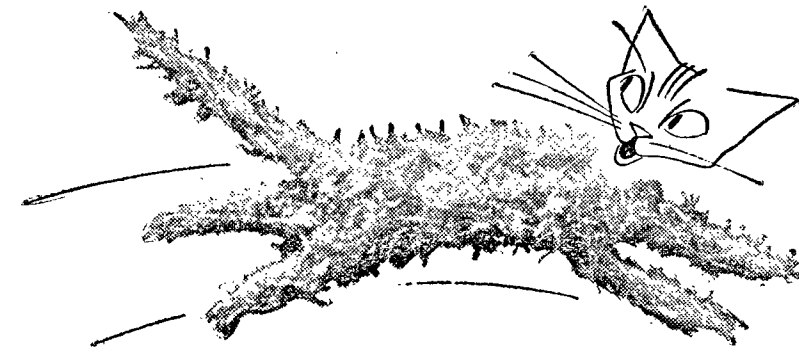
The wearing of fog masks is quite a different matter. If fogs like that of last December were a frequent occurrence, and if masks were an effective safeguard, they could be considered a useful piece of preventive medicine. (But how much more useful and how much more preventive if people were urged to wear them at work on the onset of the common cold.) In fact, fog like last year's, with its trail of death and disease, is becoming as rare as a Cockney born within the sound of Bow Bells. Tuesday's fog, though it made Westminster at midday as black as midnight and considerably dislocated traffic over a wide area of the country as a whole, was not pea-soupy enough to persuade Londoners to breathe through a piece of gauze.

Why, then, has the Ministry of Health announced with such a blare of publicity that fog masks are prescribable under the health service? It is true that they are subject to the shilling charge—which, surprisingly enough, will barely meet half the cost of even the cheaper variety. It is also true that they will be prescribable only to certain patients in certain areas—but this is the sort of regulation that provokes endless argument and irritates rather than helps the doctor responsible for prescribing. Ever since he took office, Mr Macleod, like his predecessors, has been concerned with cutting down the cost of prescriptions, which have become the most uncontrollable part of the health service bill. By encouraging people to ask for something more—and something whose value is admittedly non-proven—he may well undo much of the good that his exhortations to economise have hitherto produced.

Living in London

FEWER by a million than in 1931, the 3,347,982 residents recorded in the county of London in the 1951 census have fared better for housing than people elsewhere. The full county report now published shows that although at least 70,000 dwellings were destroyed during the war, new building and conversions have given London a balance of about 70,000 more houses or flats in 1951 than twenty years earlier. At the same time, the number of households has fallen—though, since their average size has decreased, not as quickly as the number of people. The result is that many more households than in 1931 have a house or flat entirely to themselves; the proportion who share—nearly a half—remains, however, much higher than in the rest of the country.

This improvement may well seem paradoxical to the queue of desperate home-seekers in London. But the extra pressure on housing springs from higher incomes, which give people the opportunity and the urge to house themselves more spaciouly, while at the same time rent restriction and subsidies have encouraged undue waste of space. In London households are smaller than elsewhere and one



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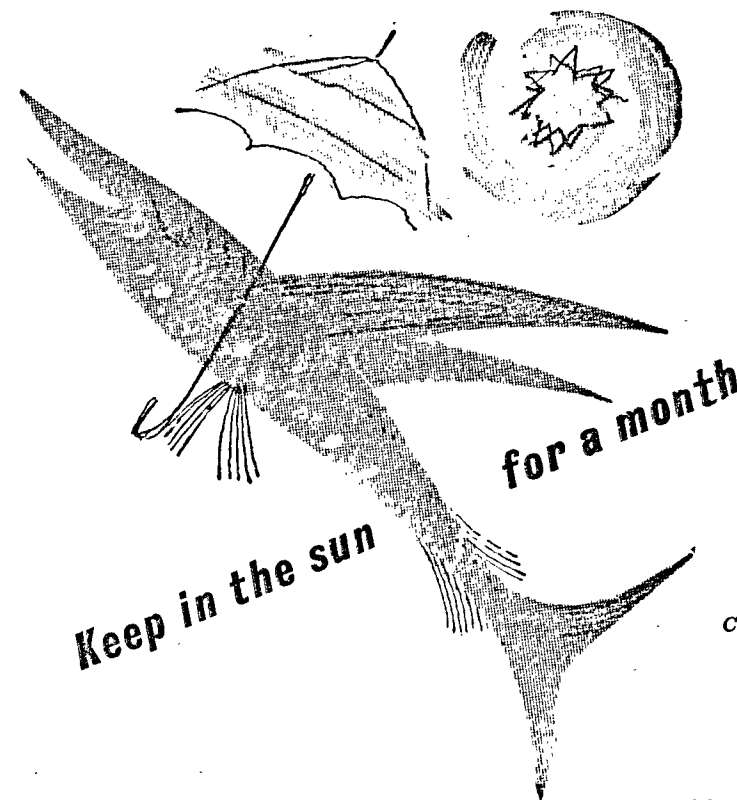
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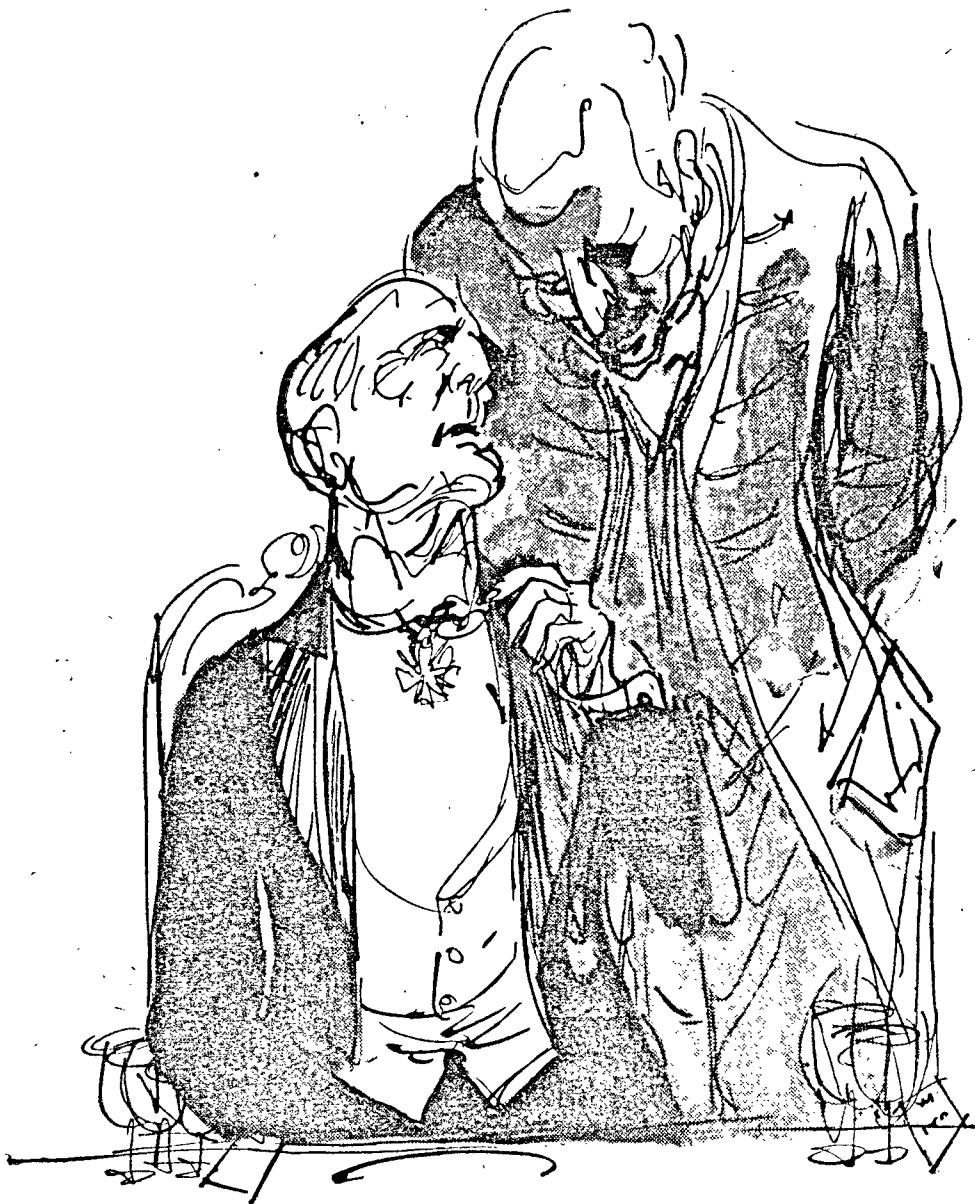
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out of every five contains only one person. Yet as many as one-third of these one-person households have more than two rooms to themselves. New building and conversion work in London has been concentrated on increasing the number of dwellings with one to three rooms, but there are still many thousands of small families living cheaply in large houses.

Moreover, while Londoners have expanded their house-room more than people in the rest of the country, they still have less. On an average each Londoner has 1.20

HOUSES AND HOUSEHOLDS
(Thousands)

	County of London	Rest of Gt. Britain*	All Gt. Britain*
Total households :—			
1931.....	1,190	10,215	11,405
1951.....	1,121	13,360	14,481
Per cent change.....	-5.8	+31	+27
Structurally separate dwellings :—			
1931.....	731	9,540	10,271
1951.....	799	12,513	13,312
Per cent change.....	+9.3	+31	+30
Households sharing a dwelling :—			
1931.....	760	1,237	1,997
1951.....	536	1,543	2,079
Per cent change.....	-29	+25	+4
Shared dwellings :—			
1931.....	301	562	863
1951.....	204	705	909
Per cent change.....	-32	+25	+5

* Based on the one per cent sample report.

rooms ; people elsewhere 1.33 rooms. Standards, of course, vary from borough to borough, but are much more uniform than they used to be. Paddington has the blackest areas with 5.2 per cent of its residents living at a density of more than 2 persons per room. But this is very different from the position twenty years ago, when seven boroughs had over 20 per cent of their population living in such crowded conditions.

A Mission to Moscow

THE Foreign Secretary usually prefers a quiet life. But in replying to a question in the House of Commons on November 6th about the proposed trade mission to Moscow, Mr Eden fairly startled the doves of peace. He roundly condemned the organising body, the British Council for the Promotion of International Trade, as "a Communist front organisation . . . mainly concerned with the dissemination of Communist propaganda." It is well known that the Council arose out of the ashes of the hand-picked Moscow Economic Conference of 1952: that it distributes spiteful anti-American propaganda and spends much energy in attacking the West on the export of strategic goods ; that through some of its members it has associations with the Communist party and its discredited offshoot, the World Peace Movement ; and that its efforts

have been exclusively directed to promoting trade with iron curtain countries, in spite of its "international" title.

One may ask, Why this sudden urge to charge off to Moscow ? Anglo-Russian trade in non-strategic goods is developing quite satisfactorily within the official trade agreement ; a Soviet trade delegation permanently resides in Highgate ; and there is no objection on the British side (as Mr Eden explained) to a two-way exchange of business visits between the two countries. In contrast to the Peking trip, also organised by the Council, there is no commercial reason for the proposed group visit. Indeed, it might be asked whether the Russians are very keen to receive self-invited guests. Members of both parties in the House of Commons have recently displayed curious naivete about East-West trade. For example, there have been questions about the Consultative Group Co-ordinating Committee (COCOM), which sits in Paris to co-ordinate the policy of 15 nations on the export of strategic goods to Communist countries. This organisation has existed since November, 1949, and is purely advisory, yet suddenly some members have discovered in it a sinister intrusion on sovereign rights. In fact, the existence of COCOM provides the clearest refutation of the argument that the strategic controls are imposed on the free world by the Americans. Agreement is reached multilaterally between 15 equal partners, and even then has no more force than recommendations to governments. Is it seriously contended that people should make money by increasing the military potential of the Soviet bloc ?

Discords Among Hungarian Communists

THE Hungarian Communists' central committee has recently met to sort out its ideas on the new programme introduced by Mr Nagy last July. Four months is too short a time in which to make any but the most provisional judgments ; but it is clear that there are to be no second thoughts. The emphasis on improving the workers' standard of living is to be continued ; the improvement so far achieved is "far from satisfactory." For the next two or three years an increase of agricultural yields is to be regarded as the key objective. Next year, investments in heavy industry are to be "tangibly reduced"—although *Szabad Nep*, the party newspaper, has since been careful to deny that heavy industry is to be relegated to a position of secondary importance. The Hungarian planners are obviously in for a difficult time.

It is also clear that the programme did not get off to a good start. The impression was created, whether intentionally or not, that it represented a new and radical departure from the old policies. This encouraged the enemies of the regime, especially in the countryside. What is more important, it also bewildered and confused the party members and in some cases, on the central committee's admission, provoked their open opposition. It looks as if some lively arguments have been going on inside the party. There are those who believe that some modifications, but not too many, are necessary to put Hungary's house in order ; and there are others who maintain that any slowing-down of industrialisation is a "retrogressive step" and that any wavering from the old line can only make things worse.

It is possible that when Rakosi speaks with satisfaction of the "previously unknown spirit of bold and severe criticism and self-criticism" that has recently manifested itself, he is really trying to put a good face on things and convince the rank-and-file that, whatever the appearances, they are not witnessing a serious split in the party.

What is more certain is that Rakosi is now anxious to play down the novelty of the new measures. He insists that these, contrary to the mistaken belief of some comrades, do not represent a new economic policy. Hungary began its NEP years ago; the new programme is merely designed to remedy the mistakes that have been made in carrying it out. (But almost in the next breath he talks of carrying it out as a "serious change" and a "turning-point" in the building of socialism.) Whether Rakosi is still strong enough to make his views prevail is uncertain. As yet he is the strongest man in the party; but the emphasis on collective leadership must cramp his old style. A clear directive from Moscow is probably the answer to the Hungarian Communists' discords.

A Low Poll in Portugal

THE fact that 28 opposition candidates stood in the recent general election in Portugal implies no change in the character of the Salazar regime. In theory any candidates except Communists could have presented themselves in 1949, 1945 or earlier. In practice some were nominated on each occasion, but they withdrew before polling day because, with the administrative dice loaded against them, they did not think it worth while to press their attack. This year the same complaints were voiced: no voters' lists were made available, and the poll and the count were to be conducted by government officials with no outside check; but in Lisbon, Oporto and Aveiro the electors actually had their first chance for twenty-five years to vote against the government if they wished.

Over 43,000 of them did so, while 215,000 voted for Dr Salazar's National Union. The opposition has taken heart from the low poll of 62 per cent, compared with the 90 per cent claimed by the government in 1949. None of the anti-government candidates was elected; but the fact of an alternative choice seems to have encouraged abstention by many who were unwilling to risk the possible consequences of a hostile vote. Elsewhere in the country there were only government lists, and Dr Salazar's party goes back for another four years with all 120 seats in the Chamber.

The real popularity of the regime is hard to gauge, either from these figures or from other indications. The twenty-eight candidates were not so much fundamentally opposed to Dr Salazar, as critical of some points of policy and—more important—of some of his associates. Quite clearly the system is not democratic in any accepted sense. But Portugal's experience of so-called democracy thirty years ago was hardly a success, and most Portuguese are grateful for the stability and the economic progress the regime has given them; mild but efficient dictatorship can be better than chaos in a democratic setting. Dr Salazar may yet feel able to introduce more genuinely liberal forms. He is 64, and the question of who or what is to follow him will have to be settled some day.

Depostalising Telegrams

THAT unbeautiful word "postalisation" has long served as economists' shorthand for any system of fixing prices that lumps high-cost and low-cost services together at a single flat rate, with swings paying for roundabouts; the postal services, with their flat 2½d. on letters from SW1 to SW3 or from Land's End to John o'Groats, provide the outstanding and outstandingly successful example of such a system. Its original justification was economic; the expenses of sorting and delivery, which do not depend on distance, account for much more of the total costs than the actual expenses of carriage. Its secondary justification is social. The flat rate unifies, discrimination by distance separates; the flat rate helps the country-dweller, who is on average poorer than the city-dweller.

Both these elements emerged in last week's debate by the House of Commons on the Post Office and Telegraph (Money) Bill, when the ailing telegraph service got a major share of attention. Its losses—£4,600,000 last year—cannot be reduced by attracting more custom; it is staff costs per telegram, not the maintenance of idle overheads, that are the trouble. From the economic point of view, the obvious answer is to raise rates steeply, accepting with gratitude the consequent cut in traffic. But the economic argument does not stand alone. Access to rapid communication is, in modern society, like access to the protection of the law: something on which everyone feels entitled to count. Not everyone has, or is ever likely to have, a telephone; and between the members of the telephoneless majority the telegraph remains the one means of emergency communication. As such it has claims to be regarded as a social service whose expenses should be covered, if need be, by the community at large. As a commercial enterprise serving the ordinary conveniences of business, the press, and the betting fraternity it has no such claim. Present anomalies may be reduced by a reshuffling and raising of rates, but the dual status of the service makes it certain that some deficit will remain and have to be made good from somewhere.

But should that "somewhere" be the budgets of the other, self-supporting Post Office services? Should the telegraph deficit be a threat to the 2½d. letter rate or a cause of high telephone charges? A measure of de-postalisation, not geographical but financial, a separation of the telegraphic roundabouts from the profitable swings of the postal and telephone service, might be the proper solution.

Justices' Clerks

SUPERFICIALLY, the recent controversy about justices' clerks has the air of a storm in a teacup. Should the clerk stay in the courtroom when the magistrates retire? Should he join them only when called for, or as a matter of course? Should he return to the courtroom before them, or with them?—these questions resemble those that must have troubled many of the courts of minor German Grand Dukes in the eighteenth century. But the arguments

have a serious origin. It is important today—and the emphasis comes quite as much from the activities of Ministries as from those of magistrates' courts—that justice should manifestly appear to be done, as well as in fact be done, if the resulting decisions are to be accepted without mental reservations by the people they adversely affect.

The Lord Chief Justice, with the concurrence of the Lord Chancellor, has now made a statement in the High Court that should clarify, once and for all, the position of the justices' clerk *vis-à-vis* the magistrates themselves. The clerk is the technical adviser to the magistrates. He is not an official who should take part in their decisions on questions of fact, on whether the accused is innocent or guilty. He is there to advise on law, procedure and practice, and both he and the magistrates should take care that he seems to do no more than that.

This proper relationship between justices and clerk is probably the most difficult of all the obstacles to the gradual refurbishing of the magistrates' courts, a process that has been going on, gradually but on the whole successfully, since the end of the war. The day was when, in some courts, neither the clerk nor the magistrates troubled to conceal the fact that he was the one man in court—with the possible addition of the police superintendent—who knew what it was all about. That kind of clerk was as harmful to the practice of justice as his converse, the chairman of the bench whose word was, in his district, quite literally the law. It would be pleasant to think that the domineering clerk has gone for ever, but, if he still exists, Lord Goddard's statement is a large nail in his coffin.

A Medical Birthday

TWO years ago, the College of General Practitioners was only an idea—an idea that had been incubating for over a hundred years. Last weekend it had its first annual general meeting and elected its first president and council. Faculties of the college are being set up in the different hospital regions; applications for membership have come from general practitioners in many other countries; and in Canada, a separate college, modelled on the English one, is being founded next year.

Doubts about the wisdom of launching the college were based on two main grounds: either the college's work would overlap with that of existing institutions or it would find itself with nothing substantial to do and initial enthusiasm would soon evaporate. From its first report neither fear seems justified. Those responsible for starting the college have wisely maintained for it a strictly academic status, and its work is at present directed along three main lines: the education of medical students, the post-graduate education of general practitioners, and research. Although the great majority of medical students eventually take up general practice, many of them complete their medical training without having spoken to a general practitioner, much less having been initiated by one into his craft. The college is therefore closely pursuing with the medical schools a project that would not only introduce lectures by general practitioners into the medical curriculum, but enable students to spend some time accompanying selected general practitioners in their day's work.

In research, the college has already made some progress. It is initiating a research project into the value or otherwise of the sulphonamide drugs in the early stages of measles, a piece of research that only general practitioners can do because only they see large numbers of cases in the early stages. The college also hopes to collect information from doctors' records that when analysed will show the relative prevalence of the different diseases. It has also set up an epidemic observation unit, which by spotting, from individual doctors' reports, the onset of an epidemic of, say, poliomyelitis or influenza, could obviously be of great value to all the authorities concerned. Co-operation in simple research of this sort has also an imponderable value for general practitioners themselves. By providing a fresh stimulus and interest in their work, it should effectively counteract an overdose of routine doctoring and certification.

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Correction.—"Proud Borrower and Shy Investor." In *The Economist* of November 7, 1953, it was stated (p. 403) that oil companies in the Persian Gulf had in early days paid a royalty of 3 cents a barrel; the figure should be 3½ rupees a ton (8 pence a barrel).

A Just and Necessary War

We have as yet no intelligence from the seat of war which is at once decisive and thoroughly authenticated. All the accounts which have hitherto reached us represent the Turks as successful on nearly every point. . . . Events seem now to be confirming what we some months ago had the confidence to predict. It is too soon yet to speak with any certainty of the final issue even of the first campaign; but at present it really seems highly probable that the result of the war in which the guilty ambition of Russia has involved herself may be to burst a hollow bubble and dissipate a vast delusion—to betray to Europe that her strength has rather been that of the bully than of the giant . . . and that her past successes have been owing more to the skill with which she has played upon the fears of her antagonists than to her actual superiority of force. . . . We return once more to our perpetual note of warning. Whatever be the successes of the Turks, and whatever willingness Russia may manifest to come to terms and get out of her foolish and wicked scrape, do not let us . . . lose sight of the great object. . . . Let our statesmen and those of Middle and Western Europe look the whole question in the face, and see if they cannot devise some securities against a periodical recurrence of the embarrassment of today. . . . They have to ascertain that there exists—and, failing its existence, to create—a Power, or Powers, in the South-East of Europe which shall be a competent, ample, self-acting barrier against Muscovite aggression—which shall guarantee us against the necessity of perpetual interposition—and shall deprive Russia of the desire by proving to her the hopelessness of further extension in that direction. . . . Three mighty issues are at stake upon our firmness and our foresight: the possession of Constantinople—the stability of our Indian Empire—and the continuance and spread of free and civilised institutions in Europe. Greater issues are seldom tried. Nobler motives are seldom held out before a noble nation.

The Economist

November 19, 1853

Letters to the Editor

Liberty and Lunacy

SIR—In fairness to the various authorities whose duty it is to carry out the provisions of the Lunacy Act, a reply should be made to some of the points made by Dr Johnson in your issue of November 14th.

1. If certification is made too difficult some patients for whom early treatment means a chance of recovery and rehabilitation will never be treated. "Easy" certification should not be regarded as synonymous with wrongful certification. In my experience the duly authorised officers, the doctors and the justices do not treat their duties as formalities. Even if these people were negligent in a particular case, the hospital superintendent's report to the Board of Control, which has to be sent within a week of admission, would result in the patient's discharge.

2. It is wrong to suggest that none of the authorities to whom the certified patient can represent his case will help him. It is not uncommon for the Board of Control to question a certificate or for one of the other authorities to request a special report. Apart from this aspect, the shortage of accommodation in mental hospitals is such that the medical authorities are constantly searching for people to discharge or send on trial.

3. It is the aim of the mental hospital staffs with which I am acquainted to make the voluntary patient's status real, and they go to great pains to do so. Of 550 voluntary patients admitted to one hospital in 1952 none was certified on the premises; only 10 were judged to be too unfit to return home and these were sent to an observation ward.

In my experience there is no evidence at all for the existence of the abuses described by Dr Johnson.—Yours faithfully,
D. M. LEIBERMAN
Croydon

Brazil Agreement at Last

SIR—The Anglo-Brazilian agreement to which you refer in *The Economist* of October 10th has been severely criticised by British businessmen in Brazil. After making due allowance for the many difficulties which hampered the negotiations in Rio de Janeiro, it is thought that an arrangement more acceptable to the individual British creditor might well have resulted. It is still hoped that HM Government will formulate some plan to finance in London the total amount involved, or that part of it not already guaranteed by the Export Credits department, in such a way that individual creditors will receive their outstanding accounts immediately

and thus provide them with the capital they require to resume their normal trading. A strong recommendation in favour of such government relief has been made by the Sao Paulo British Chamber of Commerce.

Trading with Brazil in the postwar years has become, perhaps unfortunately, somewhat reliant on inter-government negotiations, with the result that less heed has been paid to the dictates of common commercial prudence. Hence, many experienced British exporters to this market now find themselves much more deeply involved than they might have been if they had not been lulled into false security by the hope that Brazil's sterling payments position would be brought up to date by government assistance.

A most unsatisfactory feature of the agreement is its failure to provide adequate scope for resumption of UK exports to Brazil on anything like the scale of 1950-52, when imports from Britain exceeded an average value of £50 million per annum. It is difficult to see how Brazil will be able to pay for more than about £4 million of UK general exports during 1954. Assuming that Brazil will be able to ship £35 million of exportable products to UK next year (a figure arrived at by experts during recent negotiations in Rio de Janeiro and which serves as the basis for the present agreement), if we deduct the £15 million for British oil which we are to supply yearly, the £6 million for instalments on commercial debts and approximately £10 million for debt servicing and other Brazilian government priority calls, the remaining £4 million is all that is left for payments to UK in current trading account. A most dismal outlook!

Sterling oil shipments to Brazil crept into Anglo-Brazilian trade at a time when Brazil was pressing for payment of her then substantial accumulated sterling balances in London. Those sterling credit balances have long disappeared, and with them the original reason for the concession of oil for sterling. Until Brazil succeeds in developing her own oil fields, she has pressing need for more oil than she can comfortably pay for with dollars. This need might well have been converted into a powerful lever for HM Government to negotiate a more advantageous agreement which would not sacrifice the interests of UK exporters. By all means let us help Brazil. Let us continue to sell her oil for sterling; but only after due provision has first been made to find the sterling required for general trading.

The recent agreement seems to have given this facility at the expense of

our long-established trade with a market which provides an outlet for not unimportant quantities of British machinery and other manufactured goods in which labour costs constitute a high percentage of total price.—Yours faithfully,
J. A. CHAPMAN
Sao Paulo

Nyasaland: Storm in a Teacup?

SIR—With reference to your article in the issue of October 24th, I should like, as a resident of Nyasaland and the unfortunate owner of 2,000 acres of freehold land in the Shire Highlands (so inaptly called the White Highlands by your correspondent), to correct a few of his more misleading and inaccurate statements.

First of all, most of the so-called "land-hungry" Africans of the Cholo district are far less indigenous to the country than are the white settlers. A very high percentage of these Africans have come over the border from Portuguese East Africa, where there is plenty of land and, in the last few decades, have "squatted" on European estates in many parts of the Southern Province of Nyasaland. Owing to the native system of shifting cultivation, they have consumed the land at an alarming rate and the white farmer who, like myself, in good faith invested money in freehold land (at that time unoccupied by Africans), finds himself faced with the ruin of his land by invaders (in my own case 250 of them). So when your article mentions harsh sentences on Africans for damaging fruit trees, it is guilty of serious distortion of the facts. It is also these detribalised Africans from over the border who have been the chief participants in the recent disaffections.

The article states that "nobody works very hard" and that "the country is poor and undeveloped." It can be truthfully said that without the effort of the white man, who in many cases has worked extremely hard, the population of 2,500,000 Africans would certainly experience famine and starvation. Those of us who are making efforts to develop the country are constantly hampered by our own kith and kin outside whereas if Nyasaland is to be developed for the good of all and especially the African, the farmer, on whose work success depends, must be supported by a competent administration and spared ill-informed criticism.

The farmer's point of view is never fairly represented in the English press and he rightly resents the newspaperman's action in accepting the statements of African Congress leaders and completely ignoring the settlers' views. How many Englishmen at home would be prepared to watch gypsies steal the fruit from their orchards without complaining to the police? If irresponsible people continue to encourage such hooliganism it is no wonder that the African should lose faith in the white man.—Yours faithfully,
JOHN WARD
Blantyre, Nyasaland

Books & Publications

Bond of Commonwealth

DOCUMENTS AND SPEECHES ON
BRITISH COMMONWEALTH
AFFAIRS, 1931-1952, VOLUMES I
AND II.

Edited by Nicholas Mansergh.

Royal Institute of International Affairs.
(Oxford University Press.) 1,308 pages. 84s.

TWO fat volumes of documents would not normally call for trumpets (except, perhaps, in academic places which loathe bugling anyway), particularly documents about the Commonwealth. The very idea of commonwealth has still to be sold to the mass of its citizens, while to foreign sceptics it appears as an increasingly nebulous association of nations who consult together only in order to agree to differ and act independently.

The professors of Chatham House have done much in recent years to sweep away this sort of ignorance and cynicism and to give the rapidly changing Commonwealth something of a rationale—in itself no mean feat. But Chatham House never struck a shrewder blow for the Commonwealth ideal than by publishing these volumes. For out of this quarry of material it is possible for the first time to make independent judgments of the potentiality of the Commonwealth as a force in the postwar world.

Here, admirably arranged, are selections from most of the major documents and speeches on Commonwealth affairs from the Statute of Westminster to the proclamation of Elizabeth II. Professor Mansergh has provided a synopsis of the different viewpoints of each member nation for every major turning point, including the Abdication, Munich, the outbreak of war, the direction of the war, the secession of Burma and Ireland, the devaluation of the pound sterling, and the admission of the Republic of India. It is possible indeed to follow the constitutional progress of India in some detail from the Round Table Conference of 1930-31 onwards. And there are also important sections on the Commonwealth in relation to the North Atlantic Community, the Pacific, Asia, Western European Union and the United Nations which will commend the work to all students of international affairs. The selection is as comprehensive as it could conceivably be, although, of course, only public documents could be given. The secrets remain locked away in government files.

What conclusions, then, does this mass of material point towards? Mr Mansergh's own verdict on the

Commonwealth in the prewar years has already been delivered in his "Problems of External Policy, 1931-1939": his interpretation of wartime co-operation and postwar change within the Commonwealth is reserved for a forthcoming volume. But it would seem that, as the condition of world politics since 1938 has become more and more depressing, the condition of Commonwealth unity has brightened considerably. The isolationism in the dominions and their morbid preoccupation with the status of independence, which so obstructed their co-operation with the United Kingdom in the 'thirties, have gone. Paradoxically, the experience gained from the responsibility of running their own foreign policies has impressed the value and need of Commonwealth membership upon its statesmen more effectively than anything else could have done. On this point, at least, Dr. Malan and Pandit Nehru agree. "We join the Commonwealth," Mr. Nehru explained, "obviously because we think it is beneficial to us and to certain causes in the world that we wish to advance," because it is an association with "a touch of healing" in a wicked world. At the same time, Dr. Malan was explaining to his Parliament that the Commonwealth, as a shield against Russian aggression, needed India. "The decision," he observed, "... to allow India to remain a member of the Commonwealth... will make the world realise that the Commonwealth is still a power in world affairs." With the accession of the three Asiatic member nations, the Commonwealth has undoubtedly become the great bridge between East and West.

As Mr Mansergh says, these volumes form a commentary upon Lord Balfour's dictum: "a common interest in loyalty, in freedom, in ideals—that is the bond of [Commonwealth]. If that is not enough nothing else is enough." There would seem every hope that it is.

The Female of the Species

SEXUAL BEHAVIOUR IN THE
HUMAN FEMALE.
By Alfred C. Kinsey, Wardell B. Pomeroy,
Clyde E. Martin and Paul H. Gebhard.
W. B. Saunders. 842 pages. 50s.

BEFORE the researches of Dr Kinsey and his colleagues were published, reports on sexual behaviour tended to be dismissed as biased. For the most part they were derived from highly selected cases—patients, criminals, parties to a divorce suit—and their conclusions were

not necessarily valid for ordinary people. Dr Kinsey's work has aroused wide interest precisely because it is based on the reported behaviour of average people, who cannot be regarded as ill, eccentric or in any way unusual. Few critics have questioned his sincerity, and few have asserted that he does not accurately report and summarise what he has been told. The main criticism has been directed towards his methods of obtaining case histories.

For this reason the first hundred pages of this second "Kinsey Report" are of particular interest. Here he explains why he and his colleagues rejected as unsuitable the sampling techniques used in market research and in public opinion polls; why they rejected unsolicited histories from volunteers; and why they did not employ a questionnaire. Such methods, they point out, would have produced a refusal rate high enough to invalidate the sample or have elicited replies mainly from a particular type of individual—the too willing volunteer. They therefore approached individuals only as members of distinct social groups, first winning the co-operation of a group and then obtaining histories from as high a proportion as possible of its individual members.

The social groups chosen ranged from a church congregation to the staff of a prison, from a woman's club to a class of high school students. The report is based on 5,940 histories steadily amassed

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In this way between 1938 and 1950, and Dr Kinsey and his colleagues tested the reliability of their information by retaking some histories years later, and by checking a wife's history against that of her husband. Even so, they continually criticise their own methods. Well-educated people and those in higher occupations are, they admit, grossly over-represented in the sample. For this reason no attempt has been made in this report, as was done in the earlier volume concerned with the male, to calculate figures of various forms of sexual activity for the United States population as a whole. But despite its imperfections Dr Kinsey's method has produced more valid and valuable results than could have been achieved by other, more orthodox, techniques.

The layout of the book is broadly similar to that of the authors' earlier volume, but there are useful comparisons at the end of each section between the findings reported for males and females, and the book concludes with an extended treatment of the same topic. If one of the conclusions to be drawn from the first report was the huge variation that exists among individual males both in the frequency and in the type of sexual behaviour, this is reinforced in the present volume. Variability in females is reported to be even greater than in males, although the average frequency of several types of sexual behaviour is less.

However much some people may disapprove of this kind of research, Dr Kinsey's books will probably exert a moulding influence on informed opinion perhaps as important as that of the works of Freud. Although completely different in approach and method both arrive at the same essentially determinist conclusion: people have within them such powerful instinctive urges that they are able to choose their course of action to a much smaller extent than any individual would like to admit. Whether one accepts this or not, it is at least plain that the actual sexual behaviour of individuals is very remote from what is demanded by convention, custom and law in Anglo-Saxon society—just how remote few people will have realised before the publication of this honest, courageous and painstaking inquiry.

Eternal Travellers

IN SARA'S TENTS.

By Walter Starkie.

John Murray. 348 pages. 25s.

ALL people that lead a persecuted, embattled or otherwise exclusive life have a word for the rest of the world. For some, it is "infidels" or "gentiles"; for gypsies, the word is *busnó* or *gorgio*. During the centuries since the Original Band of gypsies entered Europe in 1417, the *busné* (which is the plural) have been in two minds about the gypsies. Either their reaction is near to fear, and they banish or burn, or else—if milder mannered

than Henri Quatre or Hitler—drag their children past the caravan telling nightmare tales of stolen babies stained beyond recognition with walnut juice; or else they have developed a passionate interest in this race of eternal travellers—indeed are spellbound by them. There is no middle emotion.

Artists of all nationalities have proclaimed their allegiance to the second group, among them Liszt, Glinka and Falla, Borrow and Lorca. During the nineteen-thirties, Walter Starkie joined their ranks by writing books on his excursions among gypsies in Spain, southern France, Hungary and Rumania, but chiefly in Spain because it is in the melancholy scenery of Andalusia that the Gypsy, like the Jew and the Arab before him, found the mental and artistic climate most akin to the talents he brought from Asia, his original home. They were vagabond books, good but wild. This book is different, though, happily, not altogether so. Its author was born in the shadow of Trinity College, Dublin, and is a Litt.D. in his own right. The strain in him that he attributes to his lunar demon ("sly, dreamy and always tempting one to slip away on secret errands") is therefore crossed with a strain of pure scholarship, and the two together produce a splendid survey of the gypsy contribution to European life and art, both in the past and now.

The book is arranged as two journeys, one an excursion in time and the other spaced along the western Mediterranean shore. In both, Doctor Starkie's link with the gypsy world is his fiddle. With it, he can resurrect in phantom form the rites which sixteenth century witches performed in a remote Spanish cave; or win a place as leader of the orchestra at the High Mass for gypsies that is yearly celebrated in May at the shrine of their patron saint, Sara the Egyptian, at Les Saintes Maries in Provence; or call up the *duende* or demon that transforms a gypsy singer, dancer or bullfighter from a halting performer into a great artist. Gypsies are not originators; except in the field of reading palms they are, as the book emphasises throughout, always reproducers and embellishers of the art forms of the peoples they meet on their way. Europe has them to thank, therefore, for preserving tunes, rituals and even customs that would otherwise have been lost.

Nowadays, people who once roamed free are caught up in the web of customs, passports and permits to camp that entraps the modern traveller. Moving with the times, they have—if rich enough, and many of them are so—exchanged their horse-drawn carts and gabled caravans for motor trailers complete with dunlopillo mattresses and cocktail bars. Yet these luxurious lounges still contain their higgledy-piggledy of eiderdowns and children, clothing, pots and pans, while, just outside them, bicycle tricksters are practising, performing dogs barking and unschooled children quarrelling over a

monkey or a spanner till their parents join in. There is still room, at least in the Old World, for nonconformity and eccentricity, vitality, spontaneity and disregard of the rules, and Dr Starkie is agreeable proof that there is room for it in *busnó* as well as gypsy.

Agricultural Perspectives

SOCIETY AND THE LAND.

By R. Trow-Smith.

Cresset Press. 252 pages. 18s.

THE millennial story of British farming falls, in Mr Trow-Smith's compact and shapely book, into four main periods: the family-subsistence period of the Saxon pioneers; the period in which land was desired above all as "a source of dignity"; the period of profit-seeking; and the contemporary period in which agriculture returns, full circle, to its proper role as "the means of national subsistence." It is a fascinating story, not merely in itself—Mr Trow-Smith writes exceedingly well, and has a gift for the illuminating quotation of sources—but also for its bearing on the wider contemporary world, in which other peoples face problems suddenly seen, in the light of his narrative, as identical with those of Britain's past.

Agricultural change emerges as part of that often agonising process of reshaping national economic patterns which imposes itself, as the only alternative to sheer famine, on a population growing faster than the resources which existing techniques can yield. It is the tragedy of today's "backward areas" that necessary change has lagged critically far behind population growth; it was the tragedy of a Britain whose essential problem was identical with theirs that necessary change was imposed blindly and ruthlessly by the strong on the weak. Mr Trow-Smith's lively awareness both of essential economic morphology and of social implications and values provides the mainspring of his book. The tension between them, however, has as its personal counterpart a certain confusion. Although tart with the agricultural mystics, he remains in his own makeup a mystic honestly at odds with an economic historian. When, distinguishing agriculture from all other human activities, he calls the land "the great catalyst," or says that Britain has followed "strange industrial gods which have brought her near to bankruptcy," it is the mystic that speaks. The economic historian is quite capable of seeing that bankruptcy results not from specialising in industry but from falling down on the industrial specialist's job; and that the decline of farm output is, economically speaking, no more necessarily to be judged an evil for Great Britain than it is for the Metropolitan Area of London—whose soil, after all, is no less a "great catalyst" than that of Norfolk.

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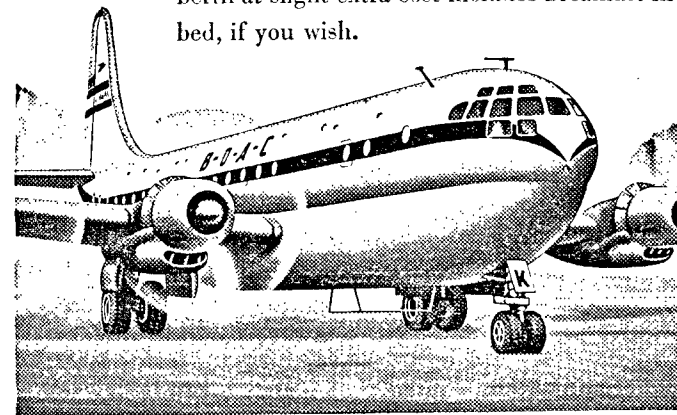
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job, for he is happy and proud and feels that his work is worth while. It is more important than he knows, for the road he is helping to build is part of a great scheme that will mean much to Central Africa.

"A good type and a good worker", his supervisors say. They are as glad to have him as he is to be there. It is because this mutual spirit prevails that, whatever the hardships and difficulties, the job gets done.



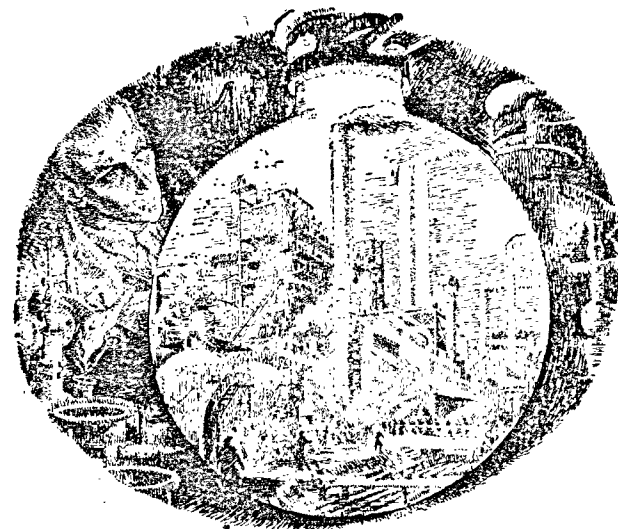
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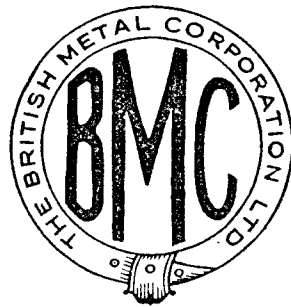


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against a greater secular change in the terms of trade than the private investor in farming can take into account in a free market economy, or as the way to safeguard the country against starvation in war. Exactly analogous arguments are used, by primary producing nations, for privilege and protection to industry. In the last resort, Mr Trow-Smith's case is the case for political despair, for permanent acquiescence in the mutual frustration, and the potentialities for mutual destruction, of the sovereign nation state. In the last resort he may, accordingly, be perfectly right. But nothing is gained by resting essentially political arguments on an implicit neo-Physiocracy.

Homespun Law

THE MACHINERY OF JUSTICE IN ENGLAND.

By R. M. Jackson.

Cambridge University Press. 372 pages. 30s.

THIS book is more valuable in its second edition than in its first. The author has continued to think, to feel and to grow, and so to change his mind. These are not reactions usual in the case of a book on this subject; they are provoked here because this is not a book wholly about law. Its title is accurate. The book sets out to describe the machinery of justice in this country (which accounts for its length). It succeeds in relating the machinery of our justice to the people of this country, their history, habits and traditions, to their deep-seated belief in what at first looks like a paradox, that the true test for any social machine is to be found in what results it produces, and yet that, given the drive, it is possible to produce almost any kind of result from almost any given piece of social machinery.

Dr Jackson is well equipped to make this kind of survey. He is now Reader in Public Law and Administration at Cambridge, but he was trained as a solicitor, which means that he learnt the details of the machine first and only later investigated its background of theory and history, both from books and from the commissions and inquiries with which he has served. So, while in the thirties he was an iconoclast, hoping to see a Minister of Justice ruthless enough to shape everything with blueprint exactness, now he can write:

The fact that some suggested reform has not been taken up by either the Lord Chancellor or the Home Secretary does not show that a sound project has fallen between two stools, for who can say that a Minister of Justice would have been more receptive.

It is a good and valuable book, but not perfect, and its excellence provokes one to wonder why it has not gone beyond the last camp below the summit. Probably the reason is that Dr Jackson is not a born writer. He is not wholly conscious of the reader. His paragraphs

are far too long. The subject is compressed, like pemmican. The section on special tribunals is only 42 pages long (that subject alone should be the topic of Dr Jackson's next book). The reader is bludgeoned and stunned. It is like being under the falls at Niagara; there is no surcease, and the essence of the art of maintaining interest is that there should be some variation in the tension. Despite that, it is not an easy book to put down; it is so full of common sense.

Text and Reference Books

THE ECONOMIC DEVELOPMENT OF CEYLON. 829 pages. 60s.

THE ECONOMIC DEVELOPMENT OF NICARAGUA. 424 pages. 40s.

SURINAM: RECOMMENDATIONS FOR A TEN YEAR DEVELOPMENT PROGRAM. 271 pages. 40s.

Johns Hopkins, Baltimore (London: Geoffrey Cumberlege).

The International Bank for Reconstruction and Development has organised missions to report on the economic development of various under-developed countries at the request of their governments. Reports by missions to Ceylon, Nicaragua and Surinam, presented in 1952, have now been published in book form in this country.

The reports follow a standard pattern; a detailed survey was made of existing conditions and on it were based recommendations for planning future development. The programme for Surinam was drawn up for ten years, those for the other countries for five years. The surveys provide useful sources of statistical information and some criticism of existing development projects.

★

CABMA REGISTER OF BRITISH PRODUCTS AND CANADIAN DISTRIBUTORS 1953.

Canadian Association of British Manufacturers and Agencies.

Kellys Directories Ltd. and Iliffe & Sons Ltd. 800 pages. 42s.

THIS comprehensive guide to British products that can be supplied in Canada lists more than 3,750 manufactured products by product headings, showing the names of 4,750 British manufacturers that can offer them; and supplies alphabetical lists of the manufacturers with their Canadian agents. Supplementary sections enable the products to be identified with trade marks and proprietary names. The directory was compiled with the blessing or aid of most of the organisations concerned with the promotion of British exports to Canada; in turn, it should materially assist them in this important task.

★

DEUTSCHLAND JAHRBUCH. 1953.

Edited by Klaus Mehnert and Dr Heinrich Schulte.

Rheinisch-Westfälisches Verlagshaus, Essen. 688 pages. DM 48.

This is the first comprehensive German book of reference to be published since the war, covering both West and East Germany. In 680 pages over one hundred authors have contributed data and reports on events since 1948 in all the main fields of German life.

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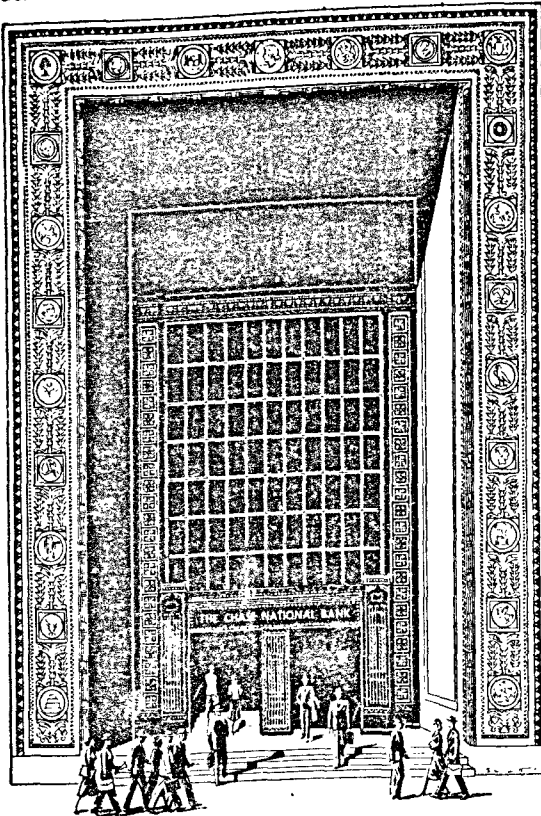
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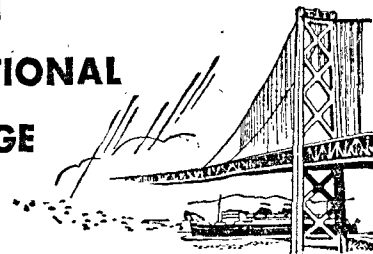
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American Survey

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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.

Spy Stories

Washington, DC

ON the morning of Friday, November 6th, the Depart-
ment of Justice circulated the texts of two speeches
to be made that day at Chicago—one at 10.30 in the
morning and the other at a dinner—by the Attorney-
General. Neither contained any startling news and Wash-
ington was just settling in for a quiet week-end when it
was announced that still a third text was ready—that of a
speech which would be delivered shortly to a luncheon of
the Executive Club. Mr Brownell was, it seemed, being
even more garrulous than the average Cabinet officer on
tour. It was this third text—entitled, with a humour rare
in Washington these days, “Ethics in Government”—
which included the statement that

Harry Dexter White was known to be a Communist spy
by the very people who appointed him to the most sensi-
tive and important post he ever held in government service.

A few minutes later Mr James Hagerty, the President's
press secretary, emerged from his office to tell the White
House correspondents that “the President told the
Attorney-General that it was his duty to report to the
American people.” At once every Congressional committee
that considered it might have a jurisdictional claim to the
case started to issue subpoenas to all and sundry and began
to announce when Mr Truman, Governor Byrnes, and Mr
Justice Clark would appear. Those who, to use the
immortal phrase of the counsel of one committee, “got
into the act” too late, had to be content with General
Vaughan and Mr T. Lamar Caudle. It was suggested by
the same phrase-maker that it would make a “more juicy
hearing” if the interested committees were to hold joint
sessions. As the days went by, and the reporters were
unable to get at Mr Brownell, the demand for evidence
became steadily more insistent.

When the President held a press conference on Novem-
ber 11th, therefore, he found 175 people waiting for him,
most of them in a hostile mood. When the questioning
began, it soon became clear that, in spite of the announce-
ment that he had given permission for Mr Brownell's
speech, the President was, in fact, bewildered by the way
the situation had developed, unhappy at the idea of Mr
Truman being subpoenaed by a Congressional committee
and indignant at suggestions that his predecessor would
“knowingly have appointed a Communist spy to high
office.”

The conference, however, established some important
points. The President, for one thing, did not wholly sup-

port his press secretary's statement, but said only that he
had told Mr Brownell to make his own decision and that,
if he felt it was his duty to make the facts public, he must
do so on a purely factual basis. It also became apparent,
as was confirmed later, that Mr Eisenhower had not read
the controversial speech either before, or after, delivery.
He denied that an ex-President's loyalty had been impugned
on the grounds that Mr Brownell had never told him that
Mr Truman saw the Federal Bureau of Investigation reports.

The Attorney-General had evidently been something less
than perfectly explicit when he obtained General Eisen-
hower's permission to make his accusations. He apparently
failed to tell the President that they would be made, not
before a grand jury or a Congressional committee, but in a
political atmosphere before a partisan group. And he did
not mention the fact that Mr Truman would be personally
inculped. The press conference, therefore, to the relief
of everyone, established the fact that the President was
not involved in Mr Brownell's performance, but it did
leave many people with an uncomfortable impression that
Mr Eisenhower remained unaware of the significance of
what had been happening. This impression was strength-
ened when he was overheard to say an hour or two later
that “that Brownell can sure stir things up!”

★

There has been plenty of speculation over precisely what
it was that “that Brownell” was trying to stir up. It was
certainly not only the voters in the 24th Congressional
District of California. There is some evidence to suggest
that Mr Brownell's speech was primarily the attempt of one
faction in the party to steal the thunder of another faction.
It is not at all certain that President Eisenhower will be
a candidate in 1956, and some of his possible successors
are beginning to jockey for position. One effect of Senator
Taft's death is to put Governor Dewey, his mortal enemy,
back among the runners, and Mr Dewey's supporters
are said to consider that Mr McCarthy, or someone from
his stable, is the chief danger. What more natural then
that Mr Brownell, who managed both of Mr Dewey's cam-
paigns, should decide to go to one of the Senator's finan-
cial strongholds and try to outdo him at his own game?
And what better case with which to outdo him than that
of Harry White?

It may never be possible to prove conclusively whether
or not White was, as Mr Brownell said, “a Russian spy.”
And, though few people who have studied the case closely

in the last few years would be prepared to wager any considerable sum on his innocence, that is irrelevant to the present accusation. What matters now is whether he was known to be a spy in the winter of 1945-6 (18 months before a grand jury found there was not enough evidence to indict him) by those who, at that time, appointed him to the International Monetary Fund. One man who could tell the whole story, and whose word would be taken, not only by the President, whose great friend he was, but by the country at large, was Mr Vinson, who in 1945 was Secretary of the Treasury and Mr White's chief. It is a thousand pities that Mr Brownell did not come across the papers in this case until after Mr Vinson's death.

Unfortunately for his defence, Mr Truman chose in his broadcast to make a political answer to a political attack and not to wait for the testimony of Mr Brownell and Mr Hoover, the head of the FBI. Unfortunately for Mr Eisenhower, Mr Brownell, when presenting a large volume of evidence, little of which was new to anyone in Washington, tried to justify his original charges instead of consolidating his retreat on to an accusation merely of laxity which, of course, there was.

It may turn out to be unfortunate for the United States that it was considered necessary to draw Mr Hoover into a political controversy. Mr Hoover testified to meetings with Mr Vinson and Mr Clark, then the Attorney-General, who conveyed Mr Truman's wish that Mr White should be kept under surveillance. From his statement, however, the newspapers were able to extract such headlines as "FBI did not agree" to retaining Harry White in the government service, without drawing attention to such qualifying phrases as "that would not be within my purview." If no one else considered the implications of allowing the head of the FBI to be injected into politics, the Attorney-General should have done so. But the events of the past fortnight have not testified to Mr Brownell's sense of responsibility.

American Notes

Courtesy Call on Canada

THE links between Canada and the United States have developed into something stronger than those between mere good neighbours; the personal, social and economic connections between the two countries are by now so inextricably interwoven that they form a family relationship. But recently the family has not been a very happy one, largely because the United States, suffering from various minor economic pains, has been trying to get some relief more tangible than sympathy out of Canada. Restrictions on imports of cheese and dried milk, made necessary by the overproduction which has been encouraged on American dairy farms by high government price supports, were

followed by threats of restrictions on imports of oats, fish and certain non-ferrous metals. Of course, such restrictions affect countries other than Canada, as do the many other barriers against increased exports to the United States. But Canada is particularly anxious that these barriers should be lowered, or at least not be raised, because more than half its foreign trade is with the United States. And Canada alone was affected by what seemed like a gratuitous piece of bureaucracy when last month the Civil Aeronautics Board in Washington applied its regulations in such a way as to prevent at the last moment the opening of a Canadian air service between Montreal and Mexico City.

However, last week, before leaving on his courtesy call on the Canadian people, President Eisenhower took steps to see that in future such arguments should be kept in the family instead of becoming matters of public protest. He agreed to the setting up of a joint economic affairs board, where questions of trade policy will be discussed and, it is hoped, solved. The board will be on a higher level than the existing joint defence board, for its members on both sides will be from the Cabinet. But settlement will often depend on Congress and on Parliament, and what they will do can never be guaranteed, at least as far as Congress is concerned. However, on the long-standing cause of Canadian disgruntlement, the United States' refusal to co-operate in the St Lawrence Seaway, there is a good chance that the Senate may at last act at its next session. In the meantime, as the result of prodding from the President, almost the last obstacle has been removed from the hydro-electric side of the project, which is to be the joint enterprise of the Province of Ontario and the State of New York.

All these sources of family friction lose their importance when seen in the light of the inescapable bond that binds Canada and the United States together—their joint responsibility for the defence of the North American continent, which President Eisenhower emphasised so strongly in his speech to Parliament at Ottawa. As he pointed out, security plans "must now take into account the Soviet ability to employ atomic attack on North America." There can be little doubt that by far the most important, as well as the most concrete, consequences of his visit will come out of his private discussion with the Canadian Cabinet which resulted, in the words of the communique, in "complete agreement on the vital importance of effective methods for joint defence."

Humphrey's Choice

THE Secretary of the Treasury, Mr Humphrey, has now confirmed what Administration spokesmen have been hinting for several months; that all expectation of balancing the budget in the year which begins next July has been abandoned. This is the first budget for which the Republicans will be wholly responsible, and it was hoped, after the \$6.5 million cut from Mr Truman's estimates had brought the deficit expected this year to below \$4 billion, that Republican pledges of solvency might be redeemed next year. Mr Humphrey now concedes that if government spending is not drastically reduced to compensate for the \$5 billion tax reduction in December there will be a deficit next year of from \$8 to \$9 billion. The possible choices, as

Mr Humphrey told the Economic Club of Detroit (no doubt in the hope that Congressmen were listening) are only four: to accept a deficit of this magnitude, to cut government spending, to raise taxes, or to accept a combination of all three.

Mr Humphrey evidently prefers a little of all three distasteful expedients, each one directly contrary to Republican promises. Spending, by which is really meant military spending, for this accounts for 70 per cent of the total, can hardly be cut by \$9 billion or even by \$5 billion in the face of the Soviet hydrogen explosion and the intransigence of the Soviet leaders; even if it safely could, the reduction might transform the present economic decline into a real recession. The Department of Commerce now puts the decline in the gross national product between the second and third quarters of 1953, on a seasonally adjusted annual basis, at \$2 billion greater than the earlier estimates of the Council of Economic Advisers; reductions in buying for inventory were almost wholly responsible.

Even Mr Humphrey's estimate of a \$9 billion deficit may be too low. It is based on the assumption that Congress will extend the high corporate and excise tax rates due to disappear next April. But the closer Congress comes to the elections the more anxious it will be to give the taxpayers evidences of goodwill. It already seems certain to repeal the rise in the social security tax scheduled for January because it would more than wipe out the December reliefs for taxpayers earning less than \$4,000 a year. The Administration can hardly count on retaining all of the \$3 billion in revenue due to disappear in April. What really would knock all Mr Humphrey's calculations into a cocked hat, including the modest \$15 billion rise in the debt limit which Congress will be asked to pass early in the session so that the voters will have time to forget about it, would be a recession. It has been calculated that one of only 1949 dimensions would cost the federal government \$14 billion in corporate and individual taxes, which provide four-fifths of its revenue. But under those circumstances, balancing the budget might not seem so attractive even to Mr Humphrey as it does now—or at least as it did during the election a year ago.

Sitting on the Tariff Fence

THE only section of President Eisenhower's speech to the Canadian Parliament that was not received with enthusiasm was that in which, while recognising the need for a high level of international trade, he reaffirmed his intention of sitting on the tariff fence until the Randall Commission on Foreign Economic Policy had made its report; he added that it would never do to risk any sudden dislocation of the American economy. Two days later the Administration's lack of decision on trade policy was demonstrated further when the Secretary of Commerce, never an enthusiast for lowering tariffs, called for fair competition in foreign trade, provided that the standard of living of the American worker was protected.

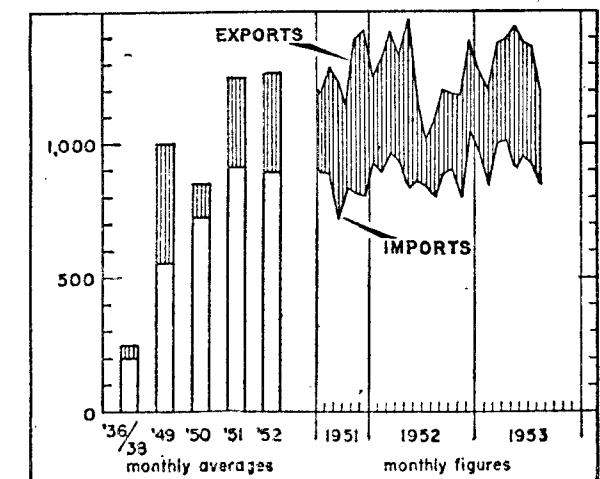
Some Canadians are beginning to feel that the important thing is not which side of the tariff fence the United States finally comes down on, but that it should make up its mind quickly. That uncertainty about future trade regulations

is one of the chief deterrents to foreign exporters thinking of entering the American market is clear from the reports from the national affiliates of the International Chamber of Commerce which the United States Council of that body has collected for presentation to the Randall Commission. The other complaints in these reports—about high rates of duty on specific products, complex customs procedures, and so on—have all also been frequently expressed, but it is valuable that the commission should have this opportunity of hearing directly from foreign businessmen, since at its meeting in Paris it had time only for American officials and representatives of international organisations.

Mr Randall at least is well aware of the desirability of speed in making his recommendations, but since there is little chance that they will be unanimous, there is less that a trade policy will be agreed in Washington next year. The most that can be hoped for is another extension of the Trade Agreements Act. That means more uncertainty, not only in general but particularly for the individual foreign businessmen whose products compete with those of American industries which appeal to the Tariff Commission, under the present legislation, for relief on the grounds that they need additional protection.

Before an increased duty can be imposed, the President has the final word; he has just spoken it, very encouragingly, in the case of the briar pipes which first came to his desk last February. The difficulties of the domestic industry arise, in his opinion, from the decline in pipe smoking, not from imported pipes, and a higher tariff would therefore be of no help. Other imported products which are in more or less danger from pending decisions are oats, lead, zinc, chinaware, both common and safety pins and, once again, watch movements. Few of these are of great importance in the American economy, while one of the most hopeful signs on the tariff horizon recently has been the stress which leading American industrialists have been putting on the need for reducing their country's trade barriers. Even the conservative National Association of Manufacturers is beginning to think in these terms. It is therefore disappointing to find a firm of the size and international ramifications of the Monsanto Chemical Company resigning from the association because it believes the NAM's "present stand on free trade is detrimental to the chemical industry."

FOREIGN TRADE in the UNITED STATES
MILLION DOLLARS

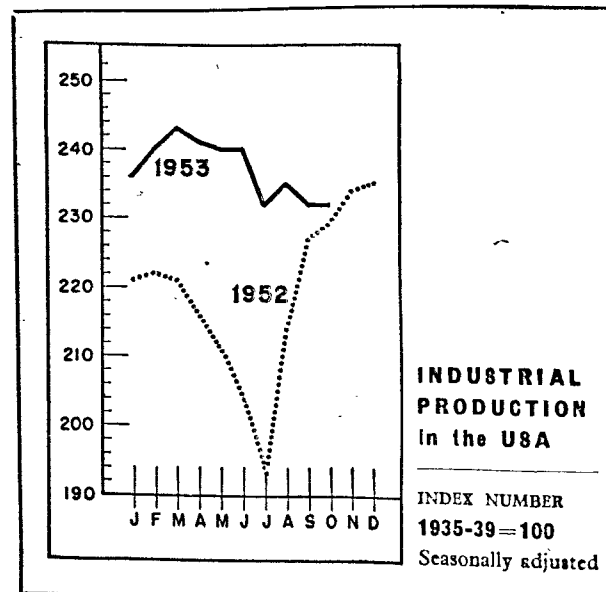


Dewey's Homework

Governor Dewey is cleaning house in New York—with an energy which revives memories of the aggressive racket-busting prosecuting attorney he once was before he went to Albany and began to fix his eyes on Washington. Mr Dewey's national influence and his claim to be considered as a possible presidential candidate are based on his control of New York State's Republican organisation and his ability to carry the state, with its 96 electoral votes, the biggest block in the country. Swift action is needed if both are not to be endangered by scandals. The Republican defeat in New Jersey, on the issue of corruption, and the Democratic revival in New York City have underlined the risk to Mr Dewey's political future whether it lies in state or national affairs.

Tammany, the disreputable Democratic machine in New York City, won this year, under the banner of a New Dealer, Mr Wagner, whose decision to retain the services of Mr Robert Moses as Park Commissioner and to make Dr Luther Gulick "city administrator"—a new post which in effect means city manager—shows that he means to give more than lip service to reform. With the liberal wing of the party in charge, the Democrats may put up a formidable bid for the state governorship next year with the magic name of Mr Franklin Roosevelt, Jr.

A special meeting of the State Legislature is being held this week, at Mr Dewey's demand, to oust the Senate majority leader and the state's acting Lieutenant Governor, Mr Wicks. The governor considers Mr Wicks fell below the proper ethical standard for public servants and brought odium upon his party by his visits to an influential labour leader and racketeer serving a sentence for extortion, Mr Joseph Fay. Mr Wicks's candid explanation that Mr Fay, even in prison, was the head of an "invisible government" has shocked instead of satisfying the public. Mr Wicks, however, is determined not to be made a scapegoat; and his popularity with his colleagues, and his apparent ability to frustrate changes in electoral districts through which the Republicans hope to entrench themselves in the legis-



lature against a possible Democratic sweep next year, may strain Mr Dewey's control of the party.

The other shocker is the revelation that leading state Republican politicians, including the bosses of Nassau and Westchester, have had substantial financial interests in the lucrative harness racing tracks, which now rival the flat racing tracks as an attraction to spectators, gamblers, and racketeers. Mr Sprague, of Nassau, a close friend of Mr Dewey, has now resigned as Republican National Committeeman, though the Governor protested that this was unnecessary. Mr Bleakley, of Westchester, has resigned his job as counsel to the tracks. Nearly half a billion dollars will be spent on an investigation of the harness racing business, in an effort to show that the party, which has made so much of Democratic misdeeds, will apply the same high standards to its own members. But, for Mr Dewey, it may be a case of locking the barn door after the horse has been stolen.

Back Door to Taft-Hartley

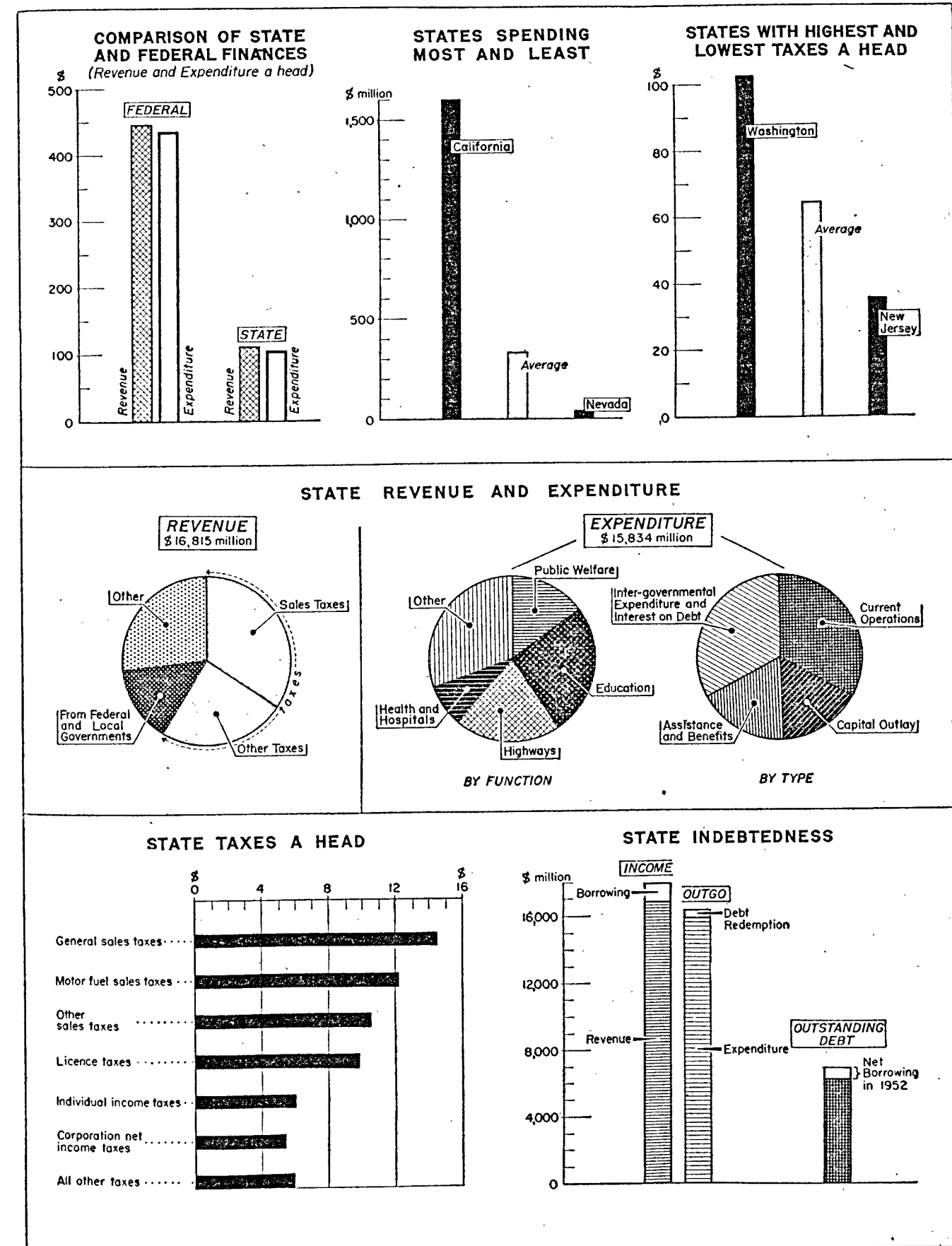
IN a message to the convention of the Congress of Industrial Organisations the President has renewed his promise to ask Congress in January for amendments of the Taft-Hartley labour law which will make it "absolutely fair to labouring men . . . to management and to the public at large." But even if it were possible, in theory, to please everyone, most trade unionists doubt whether any frontal assault on the Act, to make it more acceptable to labour, will succeed in the present Congress. The inability of the CIO and the American Federation of Labour, because they are pinched in different places, to agree on what remedies are the most urgent, strengthens the hand of businessmen who oppose any "weakening" amendments.

In fact, the Act seems likely to become more, rather than less, restrictive, now that the Republicans control the National Labour Relations Board, which administers it. The loose drafting of the law has left the board with a great deal of discretion. Re-interpretation is already under way, even though Mr Mitchell, the new Secretary of Labour, who needs to win the confidence of labour, is proving as hard to please as Mr Durkin, his predecessor, in the matter of finding a candidate for the fifth place on the board. Two of the present members of the board, a Democrat and an independent Republican, were appointed by Mr Truman; the chairman, Mr Farmer, and Mr Philip Rodgers are Eisenhower appointees.

Supporters of the Act have always argued that it never had a fair trial because the old board was out of sympathy with its aims. The new members, consequently, are determined to review all their predecessors' decisions. Their first step will be to reduce the number of cases they must handle and confine them to those which substantially affect inter-state commerce. The old board, in a single year, accepted 14,000 cases, nearly 1,500 of which concerned firms with fewer than twenty employees. In the future, local cases, where possible, will be left to the states.

Trade unions whose officers have been indicted for falsely swearing that they were not Communists will not be able to request the board's services in determining the proper bargaining agent for a plant or industry until their officers

Finances of the 48 States in 1952



Source: "Compendium of State Government Finances in 1952." US Department of Commerce; Bureau of the Census.

are cleared. The "free speech" for employers which the Taft-Hartley Act set out to protect will certainly be interpreted more generously by the new board than by the old. One of the most critical changes, in view of the division in the trade union movement, concerns the ease with which craft unions have been able to split off from the big unions which represent a whole plant or industry. This seems democratic and has pleased the AFL, which is largely built on a craft structure, but employers and the CIO seem to have convinced the board that, in the interests of stability, such "craft-severance" should be discouraged.

When's a Sport not a Sport ?

THE Supreme Court's answer to the riddle is: "When Congress declares it to be a business." That is in effect the meaning of last week's ruling which upheld Mr Justice Holmes's famous decision in 1922 that "the business of providing public baseball games for profit between clubs of professional baseball players" was a sport, and therefore not subject to the anti-trust laws, even though it entered into inter-state commerce in various ways. This time the Court held that if, as the prosecution charged, conditions had changed drastically in the last thirty years, then the anti-trust laws should be applied to baseball by specific legislation, not by court action.

This is a clear warning to the owners of baseball clubs that, if they do not watch out, Congress will get them—although previous attempts to induce Congress to regulate professional baseball have had no success. However, the Baseball Commissioner, Mr Frick, will find this warning from the Supreme Court a useful backing for his attempts to clean up and reinvigorate the game. The fact that the cases went to the Supreme Court at all showed that baseball is taking a new lease on life. For to the baseball clubs Mr Holmes's decision always seemed too good to be true and they dared not risk it being upset; as a result, whenever they were challenged they settled out of court, an expensive method that they can no longer afford.

The cases at issue on this occasion concerned the "reserve clause" which ties baseball players to a club for the duration of their professional life. It is possible that the Supreme Court might have decided differently if the argument had been over restrictions on broadcasts of baseball games. The development of broadcasting since Mr Holmes's day was one of the reasons given by Mr Justice Burton for dissenting from the Supreme Court's majority decision. Here, however, the first conclusive test may come over professional football, for a few days later a federal judge in Philadelphia answered the riddle differently, by deciding that football ceased to be a sport when it went on the air, and thus became subject to the anti-trust laws. He ruled that the National Football League had the right to forbid televising of a match within an area of 75 miles from where the game was being played, but no farther. He argued that since the league depended on gate receipts for its existence it was reasonable to prevent people who could go to a game in person from seeing it at home without paying. But to prevent those farther away from seeing it would be an unreasonable restraint of trade within the meaning of the Sherman Anti-Trust Act.

Lifebelt for Shipbuilders

THE Navy has come to the rescue of the nation's private shipbuilders with an order for 165 ships. This is the biggest postwar naval building programme, and it will go to the private yards under competitive bidding. The plum is the contract for the Navy's third super-carrier, which is expected to cost about \$210 million. It will have to be built on the east coast; there are no facilities for doing so on the Pacific. The recent practice of the Navy has been to reserve much of its work for its own yards, despite the protests of the industry. What has made the Navy change its mind is the prospect that by 1955 the private shipyards will be completely idle, and their skilled labour and engineers dispersed. This happened, to the nation's cost, before the last war. At present no new orders are being placed for non-military vessels, and almost all the work on hand will be completed by the end of 1954. Even reconversion jobs are going to less costly foreign yards.

The naval order is only a stop-gap while the Administration and Congress think out a long-term shipbuilding programme to keep the yards busy and replace the ageing merchant marine. There is no new money in this year's budget for shipbuilding subsidies and the Administration has no intention of embarking on costly construction programmes such as those the Truman Administration undertook if the shipping industry can be induced to do the job. It has taken many months for government shipping officials to sell the first three Mariners—fast cargo vessels which the government began to build in 1950—to a private shipping line, even though they were offered at much below cost. To dispose of the rest, rather than lay them up now that they are no longer urgently needed to transport military cargo to Korea, the Maritime Administration is considering offering to use part of the purchase price to convert them to the buyers' taste. One of the difficulties about government aid is that the services tend to insist on the inclusion of special defence features which would make the ships easy to convert in wartime, but which the private lines do not want. But the Maritime Administration is moving slowly. Its predecessor ran into such heavy weather with Congress and the Comptroller General over extravagant shipping subsidies that it will wait until Congress reassembles and gives a go-ahead signal.

SHORTER NOTE

The Army has become entangled, on moral and economic grounds, with two very different groups—the Women's Christian Temperance Union and the retail liquor dealers—because of its recent ruling which permits the sale to men over 21 of spirits and beer, either by the drink or the bottle, at clubs and messes of officers and non-commissioned officers. The new regulation, which the Navy adopted in 1934, is designed to do away with the evils of prohibition by providing liquor in wholesome surroundings where supervision can ensure moderation. Temperance advocates, however, warn of a "storm of protest" from mothers, and liquor dealers are incensed by an extension of government competition with private enterprise. A Gallup poll shows that public opinion on the subject is almost equally divided with a slight majority disapproving of the sale of liquor at military posts.



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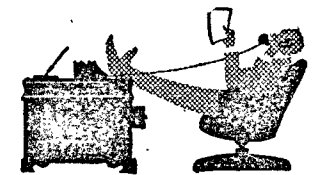
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somewhere. But until somebody thinks of something better, let's say it is a suspiciously good advertisement for Peter Catesby and his staff.

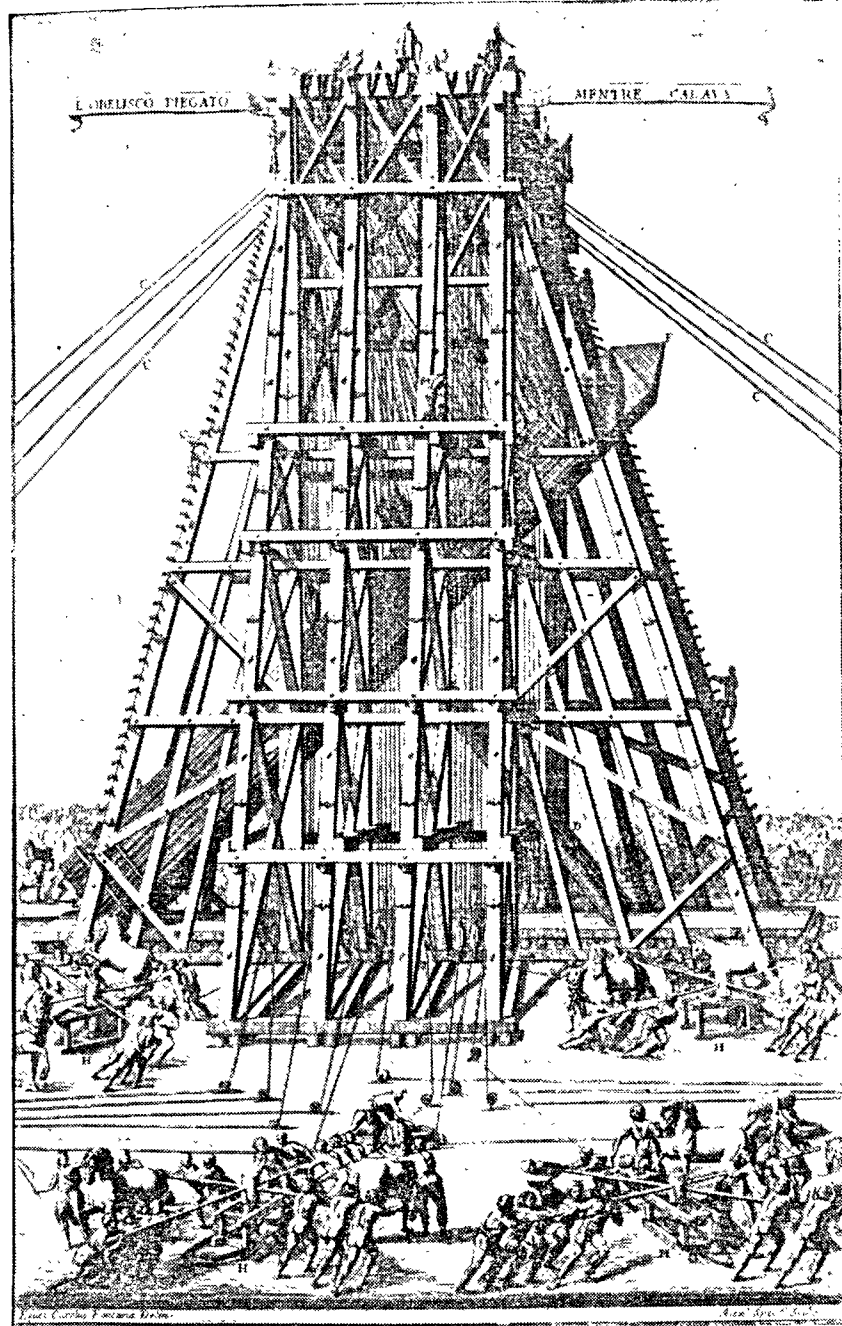
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Too Quiet Flows the Nile

FROM OUR CORRESPONDENT IN CAIRO

TWICE recently President Neguib has remarked to me that "with patience the Canal Zone question can be settled." His demeanour matched his words as he benignly expounded, once again, how much both Britain and Egypt stood to gain by a settlement that dissipated the rancour of recent history in Egypt. "I can remember my time on the frontier near Sollum," he said. "The British officers used to invite us over to their mess and we were all good friends together. It can be like that again."

Other officers of the Council of the Revolution equally speak without urgency. Colonel Gamal Abdel Nasser, the Deputy Prime Minister, remains adamant that Egypt has gone as far as it can or will go; but he is tranquil about the situation and has found time to go sailing in the Red Sea and to Saudi Arabia on a mission of condolence and compliment. To questions by newspapermen about the state of Anglo-Egyptian talks, the answer is usually a simple "nothing new." This patient mood developed shortly after the meeting of October 21st failed to produce the desired agreement, and it contrasts strongly with earlier impatience. It can be, and no doubt partly is, a pose, a calculated no-response to Britain's silence. But it is more than this. The Egyptian leaders are now apt to say they would like to forget about the whole matter and get on with their pressing domestic problems. When gossiping, almost idly, like this about the Canal Zone question, one may be apt to miss the significant fact that the Egyptian leaders are no longer insisting that their domestic situation and their economic recovery cannot make any real progress until a settlement with the British is reached.

When there is any notable change in the temper of Anglo-Egyptian relations it is always wise to look for the explanation first in the domestic situation of Egypt. Just as the Wafd were pushed headlong into abrogation of the treaty by their own misgovernment, so the present government's patience is largely the fruit of Abdel Gelil el-Emary's wise husbandry at the Ministry of Finance. He has gone far towards redressing the balance of payments; he has about £18 million in the convertible sterling account with a right to release of a further £10 million, plus £5 million more if required, on January 1st next; and he has steered the cotton market through its worst crisis in a decade. Farmers are getting about 60 per cent more for their cotton than they were a year ago. Price inflation has been arrested.

To ask whether the regime could for long survive without

a settlement with Britain is much less pertinent than it was only a few months ago. During the first eight months of this year there were periodic waves of discontent which encouraged opponents to hope for the regime's collapse. Each wave was mildly repressed. Now the Revolutionary Tribunal is punishing past offenders with vigour and speed, in a way that sometimes offends the western observer. The Council feels, however, that the mass of the Egyptians worry little about judicial niceties and see in the tribunal a proof of strength and staying-power in the regime. They feel that the vigorous punishment of offenders from the royalist past will have a more lasting effect than past mildness. In this they are probably right, for the economic background to popular discontent on which the older politicians based their hopes of the regime's collapse, has been modified very much in favour of the present leaders.

In these circumstances one may expect their patience regarding the Canal Zone question to continue. The British Government is meanwhile silent because it feels that, having presented the broad lines of agreement on October 21st and found them unacceptable in some respects to the Egyptians, it is for the latter to propose improvements. But the Egyptian government believes it can safely afford to wait—that the nearer one gets to the terminal date of the 1956 treaty, the more factors are on its side. Diplomatic jargon has been strained to the limit to describe the current state of affairs. One can only say that there has not been a breakdown in the talks because neither side desires one. In actual fact, both sides have not moved from the positions taken up on two points, reactivation and uniforms.

Egypt agrees that British troops should automatically re-enter the base if a state which is signatory to the Arab Collective Security Pact is attacked, and that it would be necessary to revive the base if a serious attack was developing towards the frontiers of the Arab states. It therefore suggests "immediate consultations" in the event of Turkey or Persia being attacked. The British, seeking a wider formula, presented a clause which virtually left it to the United Nations to decide when British troops would re-enter the base, but the Egyptian negotiators rejected this, despite the fact that the idea had originally come from one of them. Now the Egyptian side is adamant against the United Nations formula because, they say, Britain and the United States could determine what the decision of the United Nations would be. They fear that the United States would use the clause to secure reactivation of the base for, say, an anti-Communist

crusade in Indo-China. The British side is, nevertheless, sticking to the United Nations formula.

The uniforms issue is almost foolish. The British do not intend that their technicians should always wear uniforms and agree they would seldom do so. The Egyptians, while insisting that they are engaging technicians, not soldiers, agree that there might be occasions, such as the Alamein ceremony, when they might wear uniforms. But the British will not accept a clause specifying that they will not wear uniforms and the Egyptians refuse a clause which specifies the right to do so.

It should be added that the informal talks which produced a wide field of agreement on essentials did not produce complete formulation of the agreed points and there may well be other difficulties.

From First to Second Monnet Plan

THE first phase of the "Monnet Plan" to modernise and equip French industry has ended, and to mark its completion the *Commissariat Général* has just issued a report summing up its achievements. The report reviews clearly and precisely what has happened since 1947, when the project was first launched, both to the six basic industries with which the plan was primarily concerned and also to the French economy generally. But what gives this year's report more than routine interest is its frank self-criticism, the readiness of the authors to display the lacunæ in the first plan which time has revealed. In doing so, they also foreshadow part of the nature and the content of the second plan, not yet published but expected in the New Year. The second instalment, the authors suggest, will in many ways differ radically from the first.

The initial Monnet Plan focused its attention on modernising and stimulating production in some half-dozen basic industries, in the hope that this impetus would shake the French economy out of its prewar lethargy. How striking is the contrast between French and British conceptions of "planning" is indicated by the fact that the Commissariat has always been independent of parliamentary control and virtually of government control. Its effectiveness, therefore, has been due very largely to the skill and energy with which M. Monnet and his successor M. Hirsch have cajoled sluggish politicians into providing state funds and into guiding private investment, where possible, through constructive channels.

During the first five years there was every sign that the efforts of the Commissariat, coupled with large injections of Marshall aid, were meeting with a remarkable degree of success. Between 1946 and 1952 France's industrial production increased more rapidly than that of its European neighbours, with the exception of Holland and Germany; by 1952 it was 45 per cent greater than in 1938 and 16 per cent above the peak prewar year of 1929. This progress was reflected in five of the six basic sectors singled out by the Monnet Plan. As Table I shows, the targets set in the early years of the plan were very nearly reached by the coal, electricity and steel industries, and were more than fulfilled by the oil and cement industries. The only real failure was in tractor production which achieved a mere 63 per cent of its aim.

Apart from these five basic industries, however, the picture remains far from satisfactory. The fact that by mid-1952 total industrial production had begun to slacken and the trade balance to deteriorate makes it clear that modernisation of the six chosen sectors of industry by itself is not sufficient to rejuvenate the French economy.

The most obvious weakness is in agriculture which, the report notes, employs one-third of the occupied population yet produces only one-fifth of the national product. Yields are barely half those obtained by most of France's neighbours, and it is a net importer of food. There has been scarcely any advance in agricultural research and education; indeed, in many parts of the country such activities are practically unknown. Mechanisation is slight and facilities for credit poor.

Second claimants for special attention in the next plan are the consumer industries. The setback to French production that took place in the second half of 1952 was concentrated almost entirely on those industries directly concerned

TABLE I—DEVELOPMENT OF KEY RESOURCES

Resources	1929	1938	1946	1951	1952	Targets set for 1952-53	Percentages in 1952	
							Of increase as compared with 1946	Of fulfilment of targets for 1952-53
Coal (mil. tons)	55.0	47.6	49.3	55.0	57.4	60.0	+ 16.5	96
Electricity (bil. kWh)	15.6	20.8	23.0	38.3	40.8	43.0	+ 77	95
Oil (mil. tons) (ref'd crude)	...	7.0	2.8	18.4	21.5	18.7	+ 668	115
Steel (mil. tons)	9.7	6.2	4.4	9.8	10.9	12.5	+ 148	87
Cement (mil. tons)	6.2	3.6	3.4	8.1	8.6	8.5	+ 153	101
Tractors (thou)	1.0	1.7	1.9	16.0	25.3	40.0	+ 1,230	63

with the production of consumer goods, particularly textiles and footwear. The truth is that these industries have long lagged behind in postwar recovery; while other branches of industry had recaptured and even surpassed their 1938 level of production by 1947, in the case of consumer goods industries this point was delayed until 1950.

From a study of the report the outsider might well suspect that there has been a serious and continuing structural unbalance in the French economy created by the tendency to devote an unduly large proportion of the nation's resources to the production of food and capital equipment. It is reflected in the fact that the average family devotes some 60 per cent of its income to the purchase of food and only 40 per cent to buying the products of all other consumer industries. In short, the neglect of agricultural productivity and the neglect of the consumer industries are two facets of the same problem; in this sense the backwardness of French agriculture is responsible for the fragility of the consuming industries.

Still a third black spot is housing. In the seven years since the Liberation and up to the end of 1952, a grand total of 207,000 new dwellings were built in the whole of France—less than the current annual rate of housebuilding in Britain. In addition to its obvious depressive effects on French morale, such a rate of building completely immobilises large sections of the working population. The report recommends that an annual rate of construction of 240,000 dwellings should be put at the head of the priorities in the next plan.

Unfortunately the second plan is not likely to escape the limitations which handicapped the initial plan—a continuous hand-to-mouth struggle for funds and a climate of commercial opinion which greatly prefers security to risk bearing.

Table II shows that by the end of 1952 public funds had contributed about half the financial resources required under the plan. In recent years the relative share from this source has declined and indeed would almost have disappeared in 1951, when American "counterpart funds" no longer became available for this purpose, had their place not been taken in part by increasing Treasury loans. But loans of this kind will always be an undependable support as long as French political and economic conditions remain unstable. The decline in public funds available for modernisation was especially marked in 1953—admittedly a "transitional" year bridging the two plans—when they sank by over 20 per cent.

Perhaps the most encouraging feature of the table is the comparatively high contribution made by self-finance. In coming years this contribution will have to be even greater, but whether this can be achieved by a technologically

TABLE II—FINANCING OF INVESTMENT
(In billions of current francs)

	1947	1948	1949	1950	1951	1952	Total	
							In current francs	In francs 1952
Self-finance and market loans	93.0	97.9	177.4	246.1	403.7	395.8	1,413.9	1,974.7
Public funds	11.8	195.7	320.8	374.4	313.6	374.5	1,590.8	2,247.4
Other funds (e.g., bank credits, etc.)	72.1	62.1	77.6	49.5	83.0	163.0	507.3	778.5
TOTAL	176.9	355.7	575.8	670.0	800.0	933.4	3,512.0	5,000.6

stagnant complex of agricultural and consumer goods industries is highly uncertain. The government is said to be pinning its hopes on encouraging re-investment through the discriminatory taxation of profits as part of its programme for fiscal reform to be debated soon by the Assembly. At the moment the portents are not good. There have been suggestions that the government wishes to rely on self-finance and on loans raised in the open market as the main sources of investment and that it intends to support the plan substantially with state funds only when it becomes demonstrably clear that other methods have failed. The danger is that it will postpone action for too long, which may well mean yet another year of "transition" in the life of the Monnet Plan and a tragic loss of momentum.

In the eyes of the Commissariat, however, there is a second incubus which at this stage is just as serious as a shortage of funds. This is what the report calls the "rigidity" of the French economy. France's essential trouble, it says, is psychological and social.

The attitude of ordinary individuals, of the professions, the banks and the public authorities is to give priority to security and to the maintenance of what status they have managed to achieve—a state of mind which has contributed to a kind of sclerosis of the whole nation that can only prevent any response . . . to the need for new industrial techniques and the pressure for higher living standards. . . . Investments will have an essential part to play; but they must be accompanied by reforms that will eliminate all that is paralysing and sterilising the economic apparatus.

. . . The first plan brought the country face to face with the alternative: modernise or decay. The second plan will have fulfilled its purpose if it leads the French nation to grasp the opportunity for a better future and to put this goal ahead of clinging for protection to the mediocre *status quo*.

The European Political Community—I

FROM OUR SPECIAL CORRESPONDENT

ON November 26th the Foreign Ministers of Belgium, France, Germany, Italy, Luxemburg and the Netherlands are to meet at The Hague. They will deal with the most important medium-range question confronting the six: the form of their permanent constitutional association. The European Political Community is not, of course, so urgently on the agenda as the European Defence Community which, with the Coal and Steel Community, is eventually to be integrated into it. But confidence or suspicion at The Hague may well influence the French National Assembly when EDC comes up for ratification early in 1954. These days the Foreign Ministers of Little Europe are engaged in a never-ending diplomatic conference on the coal-steel pool and on the European army. Germany and France, still far from solving the Saar problem, are struggling to elaborate a European institutional design in which this and other difficulties may assume a new form. The forward movement of the European idea seems sometimes to depend on a kind of mental leap-frog, of which M. Jean Monnet is the acknowledged virtuoso. If the ministers can make a bold showing with the EPC, the planetary momentum of integration will perhaps be regained.

A second article will deal with the differing national conceptions of the European Political Community, which became painfully evident at last month's conference in Rome when the ministers' deputies tried unsuccessfully to establish an area of agreement for The Hague. Especially obscure has been the hypothetical European status of France, which has somehow to be at the same time a colonial and protecting power in Africa and probably senior partner of the associated states of Indo China. The constitutional impediments to a real federation of six states with such divergent relationships with the outside world are clearly enormous. The question therefore arises: is the EPC an embryonic federation or confederation? If not, what is it?

Article 38 of the Treaty for a Defence Community, signed by the Foreign Ministers of the Six, of the USA and of Great Britain, in Bonn in May, 1952, envisaged the creation of a political community, with institutions of a federal or confederal type including a legislature and senate. Last winter a constitutional committee under the chairmanship of Herr von Brentano, parliamentary leader of the CDU, worked out a draft treaty embodying the statute of the European Community which has been the basis of all this year's discussions. The *rapporteur* was a Belgian professor, M. Dehousse, who, with Herr Hallstein, Dr Adenauer's Secretary of State for Foreign Affairs, may

be regarded as the leading jurists in the enterprise. In his commentary on the draft M. Dehousse observes:

In any form of association between states, whether confederal, federal or merely community, there are two elements to be represented in the common parliament: firstly the individual citizens, all of us who are within the association; and secondly, the states to which we continue to belong, as nationals of certain specific countries.

This remark seems to indicate the general spirit of the treaty. The drafters have in reality not opted for a federation or confederation but, it is vital to note, for a community. The individual citizens, to which M. Dehousse refers, are represented in a first chamber, called the Peoples' Chamber. To this house "the peoples united in the Community" send deputies "who may not accept any mandate as to the way in which they shall cast their votes." (Article 12.) The deputies are to be elected by universal suffrage under a quota system whereby each national territory returns the following number of representatives:

Germany and Italy: 63 each.

France: 70 (including an allotment of 7 for those *territoires d'outre mer* which already return deputies to the *Assemblée Nationale*).

Belgium and the Netherlands: 30 each.

Luxemburg: 12.

The gist of this scheme of representation is that, e.g., French deputies to the Community's Lower House will be elected by Frenchmen in France, but will not receive political instruction from electors or parties. The Community will have to create its own parties.

Powers of the President

The Senate is to represent the national states. Senators shall be elected by the national parliaments in the following proportion:

Germany, France and Italy: 21 each

Belgium and the Netherlands: 10 each

Luxemburg: 4

This means that in neither House has representation been based on purely demographic considerations, but on a "qualified" system. At the time of writing the ministers are not yet agreed whether national representation in the Senate should be weighted or equal. Neither deputies nor senators, it is worth noting, need be national parliamentarians.

The third (and most controversial) organ of the EPC is the European Executive Council. The Senate, so the draft proposes, shall elect by majority vote a President, who in turn will appoint an unspecified number of other members of the Council. Neither he nor they can be members of a national government, nor exercise any other paid function. The Council must at the outset receive the vote of confidence of the two houses of parliament and it must resign when no confidence is voted. The Senate's method of showing disapproval is simply to elect another President; the Peoples' Chamber's is to pass an adverse vote by a three-fifths majority of its members. If there is an adverse vote of less than three-fifths the President has the interesting right either to resign or to declare the Peoples' Chamber dissolved.

Besides Parliament and the Executive Council, the Community (as the defence and the coal/steel communities) has a Council of National Ministers. Its role is to "harmonise the action of the European Executive Council with that of

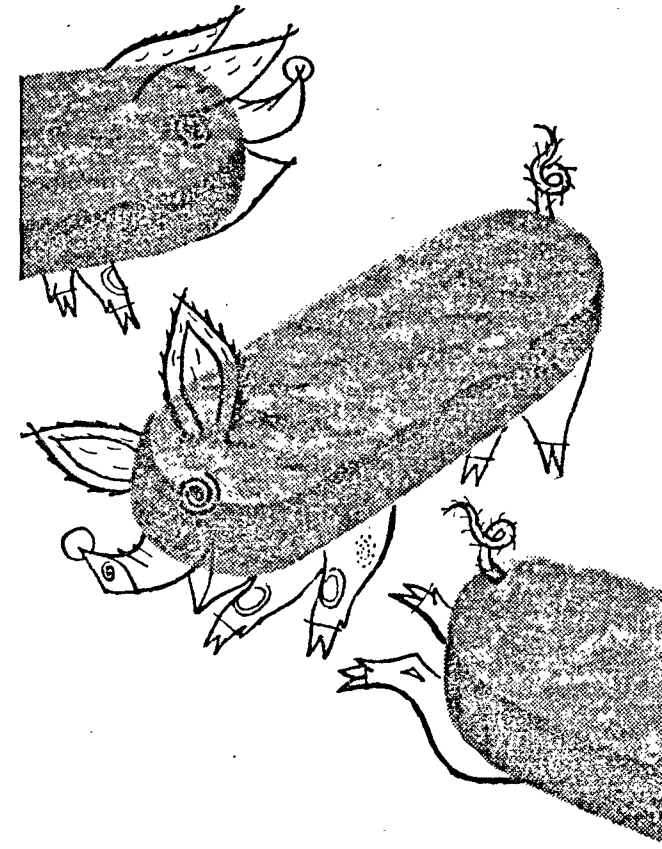
the governments of member states" (Article 35). The draft treaty therefore provides a kind of dual executive: the Executive Council is totally supranational and responsible only to the parliament of the Community; the Council of National Ministers is "intergovernmental," and, although of course sympathetic to the policies and procedure of the supranational organs, will in practice limit the Council's executive power. This duality does not, however, extend to the Parliament in spite of the national-representative character of the Senate. The Senate "shall be composed of senators representing the people of each state" (Article 11), but the senators do not on that account represent the member states themselves.

This abstract and fragmentary sketch of the EPC (no mention has been made of the Court, of the Economic and Social Council or of the proposed links with the Council of Europe) remains quite in the air until it is related to the matter of powers and competence. The immediate practical significance of the political community would lie in its assumption of the functions of the coal and steel, and the defence communities. The leading notion of the drafters (as of all the governments of the Six) was to provide a political hat to cover the two autonomous supranational agencies. Thus the two "specialised" assemblies will be replaced by the parliament of the Community; similarly with the two special councils of ministers. Conversely the ECSC and EDC Court will become the Court of the Community. After a period of adaptation the coal/steel High Authority and the EDC Board of Commissioners will hand over their powers and competence to the European Executive Council (EEC). These bodies will then continue to exist but merely as administrative departments of the Council. It is the EEC that will subsequently appoint the members of these military and industrial authorities, on proposals from national governments.

Strong Master or Gentle Custodian

Up to this point the draft treaty does no more than effect a legal transfer of the existing powers of the specialised agencies (the defence community being assumed already to exist, which as yet it does not) to a single political authority (EEC). This authority would thenceforth exercise its "limited functions but real powers" as a kind of cabinet responsible to a supranational two-chamber parliament in an ill-defined association with the Council of National Ministers. This is not all that the Council of Ministers would do. For just as the supranational parliament, composed in large part of national deputies, would form European pressure-groups in national parliaments; so, it is presumed, the Council of Ministers would act as a conductor of influence from the Community to the governments of the member states. This view of the supranational organs, however, puts in question the whole federal theory of the association and illustrates the intellectual dilemma of the scheme's proponents. For the Community theory, already embodied in the coal/steel pool, is not so much a new kind of state as a novel administrative technique, which depends for its success less on the positive transfer of powers to this or that body as the withdrawal of major economic veto-rights from the national governments. Thus the High Authority at Luxemburg is a regulator and arbiter rather than an executive in the ordinary governmental sense of the term.

Debates on the political community have, however,



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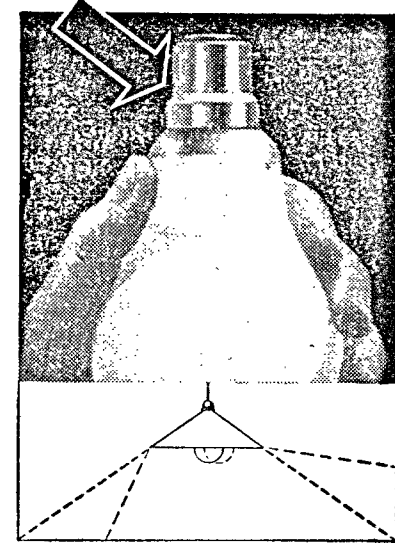
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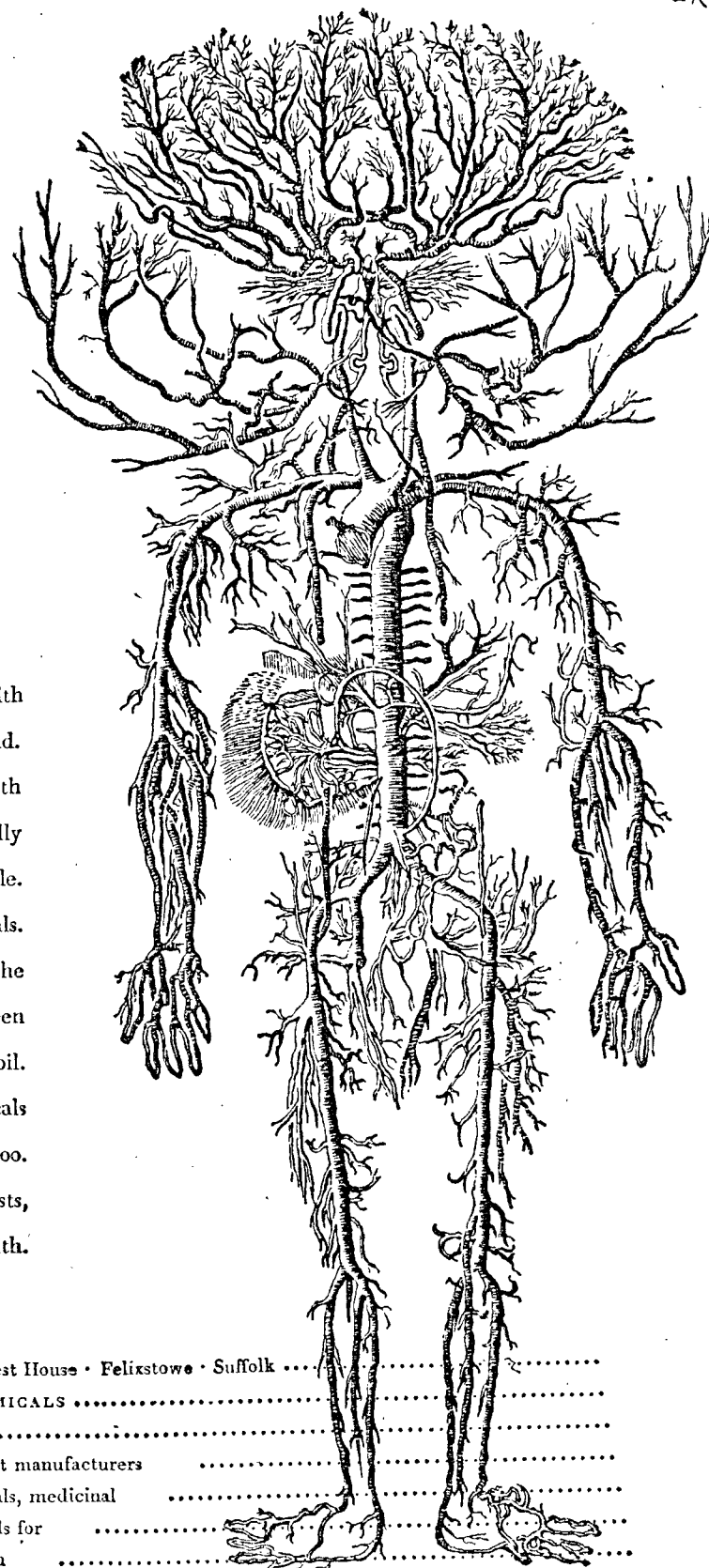
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seemed curiously to ignore the analogy between the High Authority and the European Executive Council and to concentrate on the old-fashioned idea of a federal executive. Thus on the one hand the "minimalists" (represented by France) have insisted on the strict limitation of the power of the EEC which they fear as a sort of presidential cabinet, responsible, if it is responsible to anyone, only to a supranational parliament of *fumistes*. On the other the "maximalists" (the Netherlands and Germany) have warmly welcomed the EEC as a strong-arm managerial cabinet which would sort everybody and everything out in no time. In some quarters this centralist conception had spread even to foreign affairs, so that Herr Hallstein at Rome felt himself able to speak of "a European cabinet" with respect to international diplomacy. This ambitious view of affairs does not yet commend itself to France which is worried, among other things, about the use to which a European Army might one day be put. There must evidently be a fundamental cleavage between those who want the EPC because they want from it a strong supranational executive *alias* a tough European government and those who want it merely to act as gentle custodian of the coal/steel pool and EDC.

(To be concluded)

Italy Looks Eastwards for Trade

FROM OUR ROME CORRESPONDENT

UNDER pressure from its sagging exports to the West and its mounting European Payments Union (EPU) deficit Italy has responded with alacrity to trade feelers from various Iron Curtain countries. But, as many other western European countries have discovered, the practical working out of East-West trade agreements is never so straightforward or so promising as it seems at first sight.

After months of laborious negotiations the Italo-Russian trade agreement has at last matured. The previous agreement expired at the end of 1952, but, although the Italians had suggested its extension as long ago as last November, negotiations did not get started until the following May. Progress was slow owing to difficulties about Soviet standards and prices, and because Moscow permitted its delegation only limited authority. But the real reason why the Russians dragged their feet was because Italy, in contrast to France, did not offer the same succulent political plum. The Franco-Soviet trade agreement, described in *The Economist* of July 25, 1953, went through quickly and smoothly.

While the Italo-Soviet negotiations dragged on, the volume of trade between the two countries—especially Soviet exports—fell sharply. By the end of March, 1953, Italy had accumulated a surplus of 4½ billion lire. Seven months later it had risen to 6½ billion lire, and resort had to be made to the Italian Credit Union for 600 million lire of this total. The Soviet Union's exports declined from 11,910 million lire to 3,021 million lire in the corresponding period. Italian exports on the other hand fell proportionately less, from 6,829 million lire to 4,800 million lire.

The new agreement is not sensational. It covers a period of 12 months during which the most substantial Soviet export will be 100,000 tons of hard grain. This is a valu-

able import to Italy as it is needed for pasta making. Wheat from America is unsuitable for this purpose and, besides Italy's own variable production, the only other source of supply is Turkey. On this occasion the Italians were less interested in Soviet grain, because of a bumper harvest and increased supplies from Turkey. And furthermore Soviet prices are consistently higher than the world level.

Among the wide variety of exports from the Soviet Union envisaged in the agreement are substantial quantities of naphtha, anthracite, non-Italian type essential oils, tobacco, turpentine, shell fish, crude oil, manganese, asbestos, chrome, paraffin, sawn wood, silk waste and bristles (from China?). The net has been spread fairly wide, which is an indication that the East is no longer in a position to supply the food and raw materials on the scale to which the West was accustomed before the war. The list also includes certain minerals normally regarded as strategic like manganese and chrome, which have showed up in many recent Soviet trade agreements.

The Italians for their part have been able to dispose of 10,000 tons of oranges and a similar quantity of lemons. Other items include 1,000 tons of almonds, a large quantity of essential oils, tartaric acid, borax and boracic acid, rayon, artificial fibre and textile materials. Licences will not be needed for any of these items, but they will be required for the sale of textile machinery, food-making machinery and other light industry machines included in the list. The Italians will also send steel ropes, copper cables, sisal, rope, tobacco, films and a number of other miscellaneous products. The Russians will also place orders in Italy for three cargo boats of 5,000 tons, three fishing boats and 15 tugs. In addition they will buy four floating cranes, ten harbour cranes and 25 generating sets.

Russians Buy Consumer Goods

In spite of reports that Italy was being pressed to supply strategic goods it is apparent that the items included, though in some cases close to the margin, are all technically non-strategic. It is interesting, furthermore, that the Russians are showing an increased interest in consumption goods. The agreement, as might be expected, has been greeted with jubilation in the Communist press, but has been passed over in silence by the official press. There is evidence, however, that business quarters are, to say the least, relieved that the Soviet market has not disappeared altogether.

The Italians, like the French and the English, are intensely interested in cutting in on the Chinese market. As a result of private initiative, trade with the Chinese Communists was resumed last November, and by June this year had reached a total of £1 million in each direction. An unofficial mission, with the blessing of the government, has recently concluded a global compensation deal for the exchange of £5 million of goods, in each direction. Italy will supply textiles, pharmaceutical products, machinery and ships in return for oilseeds, silk waste and egg products. One of the reasons behind this deal is Italy's desire to conserve its diminishing sterling by cutting out imports through Hongkong. But the Italians fear they are too late in the field in which the French and the British have staked previous claims. Furthermore they are handicapped by the fact that Communist China is not a transferable account country and thus the Italian surplus with China has to be

offset in some way by imports from that country. It is the old story of China's limited ability to pay.

Though in official circles there is a tendency to play down the ability of increased East-West trade to alleviate Italy's economic difficulties, the Prime Minister, Signor Pella, has made it clear that Italy will seek outlets on either side of the iron curtain. In addition to this agreement with China and the Soviet Union, a new official trade agreement has been made with Bulgaria in which the Bulgarians will sell cereals, oilseeds, poultry, eggs, chrome and tobacco, in return for machinery, textiles and chemicals.

But the experience of Italy seems to be the same as a number of other western European countries that have recently responded to Communist trade offers. They have found that the Communists are now more willing to buy consumer goods; that they are not any longer so desperately keen to get strategic goods; and that they are prepared themselves to offer a wide range of products, including materials ordinarily considered strategic. All this seems to point rightly enough to a more hopeful outlook for East-West trade. But new difficulties are arising. For example iron curtain countries do not seem able to offer the quantities and the kinds of goods the West now needs. In consequence offers from them now cover a wide miscellany of goods. On the other hand some of the old hindrances remain. The Communists still appear unwilling to align their prices on world prices, and, as the recent agreement between France and the Soviet Union shows, they are still anxious to make as much political capital out of trade as possible.

Mr Ben Gurion's Example

BY OUR MIDDLE EAST CORRESPONDENT

MR BEN GURION, Prime Minister of Israel, has puzzled even his most intimate friends by his decision to withdraw from politics and to take up residence in a remote agricultural settlement that lives a communal life. Is he ill, they ask? His answer is no; though 67 years of age, he is in fine physical fettle; his only trouble is "mental fatigue." Busy Israeli minds are therefore full of conjecture as to his "real motive" for withdrawal and for upsetting a somewhat precarious coalition. Can it be that his urge to write has transcended all sense of other duty and that he must get his story of the nation's birth onto paper while still vigorous? This is one of the explanations on offer, because, once before, he dropped all public business and withdrew to a lakeside in order to put history right by means of a series of anonymous open letters (they were signed with a thinly veiled pseudonym) in answer to an adversary. Another theory that is being bandied about is that he is exercised at young Israel's way of life, and wants to point the younger generation the way to the harder living and pioneering spirit that now characterise only the outlying settlements.

He has taken a decision that few public men take, and as busy minds mill over his motive for taking it, they miss a simple and plausible explanation. It is that no one is indispensable, that the modern overload of interviews, and telephone interruptions, and piled in-trays in which every dossier is flagged "urgent," can reduce even the best mind to a state of incapacity for thought, and that here—at last—

is a statesman with the strength to weigh his duty to the world's reservoir of intellect against the drawbacks of quitting the treadmill.

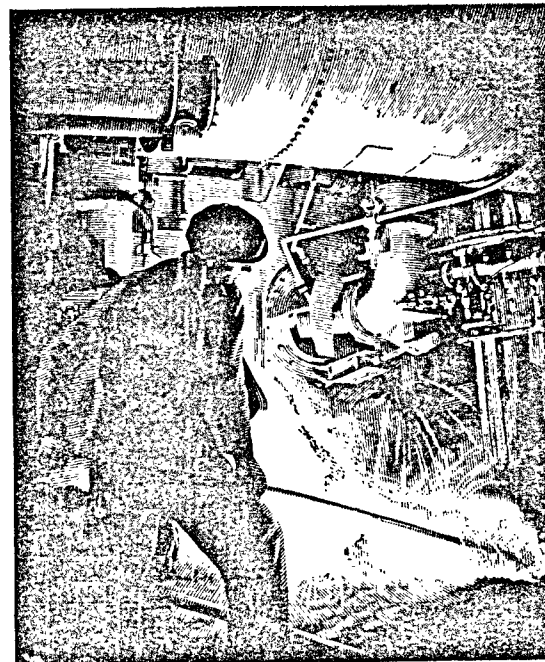
Michael Roberts in his book on the world's resources which he called *The Estate of Man* pointed out in a chapter headed "How much will our nerves stand" that while we are careful about preventing the manual occupational diseases—silicosis, painters' colic and the like—"we do nothing about the more serious hazards of propinquity. . . . Our mental health is a vital part of our personal capital yet . . . we are constantly frittering it away on mere resistance to our surroundings." Anyone who has been to Israel will know that these words ring specially true. Money worries are, as is well known, a prime cause of mental strain and any statesman in Israel suffers continuously from these on a national scale, as well as from all the worries that arise out of making a new nation from elements very mixed both as to origin and as to their attitude to the Jewish faith. Added to these there are the noise, the hurry and the habit of sleeping short nights that beset a nation that has not yet made up its mind whether to live daily life to a European or to an Oriental timetable, and at present keeps the longest hours of both. Again, not only are the cities highly congested; they are also inhabited by a people that cannot let well alone; cannot trust a fellow member of the party to explain its point; cannot credit a listener with the intelligence to grasp that point at first making. Your correspondent finds a fortnight's work in Israel far more exhausting than a similar stretch in, say, Washington, because of the intellectual pounding which the cream of Israeli politicians and economists give to a ready listener.

Recharging the Intellect

In any country, the prime minister of a coalition government is inevitably a prime victim of this strain. Yet how few such men retain, while actually subject to the strain, the capacity to regard themselves as dispensable. It can be just as important to recharge one's intellect, or indeed to forestall the occupational diseases of statesmanship—the duodenal ulcer, the coronary thrombosis and the even graver diseases of the mind that stem from overwork—as to sit, below par, in a chair of office.

For Mr Ben Gurion has not retired. He retains his seat in the Knesset and intends to occupy it. He is merely giving his mind a rest in fallow. It is true that his party is placed in a difficulty without him. Despite his personal unpopularity with some of its partners, he is a seer built on the pattern of one or two of the prophets, and therefore a figure of the dimensions necessary to provide a link with party-political adversaries. No one can fill the whole of his role, and this is hard on Mapai. Owing to Israel's strained position on the international front his decision will not cause a general election; but it necessitates a complete reshuffle of the cabinet. It is likely to leave Mapai at the disadvantage that it will not be able to continue to hold both the premiership and the Ministry of Finance—to confront it with the problem either of advancing Mr Eshkol, the present finance minister, to be premier and ceding the Treasury to the General Zionists, or else of waiving its claim to supply the premier. Naturally, to some party members, Mr Ben Gurion has played a sorry trick by placing them in this dilemma, but to outsiders his decision appears otherwise. To all statesmen suffering from "mental fatigue" he has surely set an important example.

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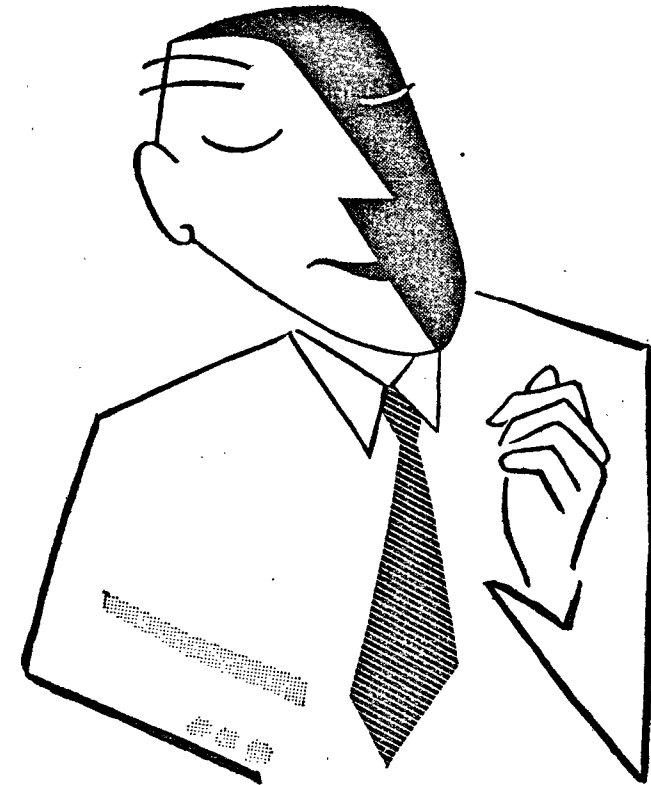
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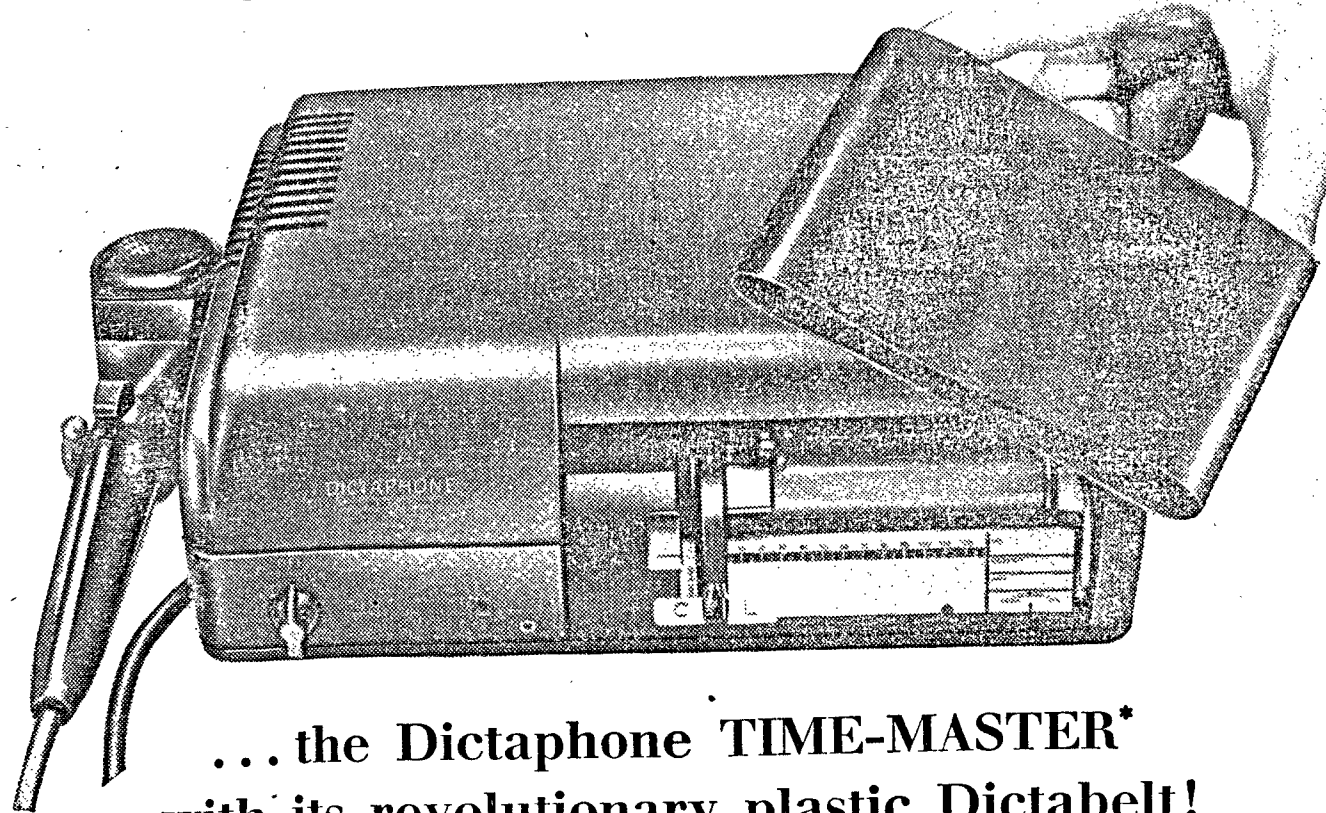
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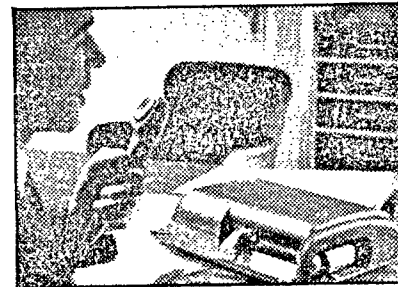
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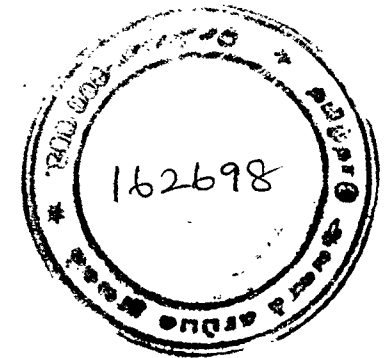
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THE BUSINESS WORLD



Lorries for Sale

ANYONE who wants to start, or restart, in the road haulage business can now get from the Transport Commission the first list of "transport units" to be put on offer. From that list, he will discover that transport unit number 66/255, consisting of three vehicles, awaits his attention at Paradise Row, Bethnal Green. Or, picking another lot at random, at Sturton-by-Stow, Lincolnshire, there is a rather different kind of transport unit for sale, consisting of five vehicles and also leasehold office, workshop, garage and parking facilities. In all, this first list includes 398 transport units, comprising 3,154 vehicles, and for each unit separate tenders are invited.

The Transport Act passed early in the summer was founded in part on the principle—or perhaps the supposition—that the small man and the small operating unit were particularly appropriate and efficient in road haulage. "Notwithstanding that their resources permit them to do so only if their operations are on a small scale," people who want to go into the road haulage business are to be afforded a "reasonable opportunity" to do so. This first list is addressed to the small man; two further lists will be issued a month and two months hence, the three together containing 10,000 vehicles, of which 2,000 will be offered in small lots of up to four vehicles, without buildings, and no unit will include more than fifty vehicles. After these 10,000 vehicles have been sold, there will still remain about 20,000 vehicles for disposal, and then the bigger operators will have their turn.

But the small man's turn comes first. He may think that the process of buying back what he once had marches him through a lawyer's paradise. Denationalisation is simple to say, but less simple to do. The Act enjoins the Commission to sell its lorries by methods approved by the Road Haulage Disposal Board; the Board has to approve the Commission's acceptance of

any tender, and it may not do so unless it is satisfied that the price is "a reasonable one," not only for the property, but also for the accompanying free grant, for a five-year period, of an "A" licence without restriction to a 25-mile operating radius. The attractions of an unlimited operating franchise are limited to a single year, for after the end of 1954 the 25-mile restriction is to be removed altogether. But a five-year licence will be a valuable right, not only for new entrants to the industry or old members returning to it, but also to existing operators working under permits who want to increase their fleets, and to traders who have hitherto operated their own fleets under "C" licences and may now be disposed to enter the haulage business for hire or reward. To obtain such a right, without having to run the gauntlet of the licensing authorities under the Road and Rail Traffic Act of 1933, is an asset of substance which merits its price, even allowing for the prospect that licences will be granted more liberally in future than in the past.

This, however, is only one of many matters on which the small man will have to keep a clear head. First, he must go through the list to find the unit or units in which he may be interested. Secondly, he must obtain a form of tender from the Commission for each unit that he thinks might appeal to him. This form sets out in great detail the specification of the vehicles and property comprising the transport unit, and the legal rights and obligations that go with them. The properties can be inspected by appointment; the Act says that there must be no avoidable disturbance of the transport system while the Commission's trucks are being sold, and therefore weekend viewing is likely to be the rule. Finally, he must make up his mind about the price that he will bid, and ensure that his tender is in the hands of the Transport Commission by December 21, 1953 (for units without buildings) and

by January 11, 1954 (for units with buildings). If his bid is successful, he will have to deposit 15 per cent of the price he has tendered within ten days of the Commission's acceptance; the remainder he will have to find within a period of a few weeks. By this time, he will be mopping his brow; but if he has successfully jumped all these hurdles and come to terms with a hire purchase or finance company he will, once again, be the political *beau idéal* of road haulage—the small man in his shirt-sleeves, hard working, and indeed often very efficient in providing road transport in small volume.

The chairman of the disposal board, Sir Malcolm Trustram Eve, said this week that the board had "some good evidence" of the wishes of the smaller operators; this suggests that about one-third of the vehicles for sale might be taken by small operators. But the board is now trying to find out who may be interested in the remaining 20,000 vehicles that it has to sell. And it is doing this by a simple method of market research—by asking those who may be interested to say how many vehicles they want, of what kind, and where, and whether with premises. This smacks of improvisation, but it is not necessarily so. There are several ways of selling vehicles under the Act, and the bringing together of buyers and seller need in no way be stereotyped.

But the disposal of the Commission's fleet—32,500 vehicles, after allowing for the 3,500 vehicles that they will be keeping under the Act—will be a formidable task. At a fairly early stage it will be the big man, not the small man, who has to be attracted. There would be nothing new in this fact. The Road Haulage Executive took over thirteen undertakings with over 7,000 vehicles between them; it also took over 3,305 undertakings with over 27,000 vehicles between them. One-fortieth of the number of undertakings it acquired had more than one-third of the total number of vehicles; and over one-quarter of all its vehicles came from undertakings with more than 100 vehicles, though these were a mere one per cent of the whole. The "liner" undertakings in road haulage were already well established long before 1947, and they were growing, under the umbrella of a restrictive licensing system; the "tramps" were numerous and apparently independent, but their success frequently rested on clearing-house organisations, and sub-contract work for the bigger operators. Of the 20,000 vehicles or so that will remain after the small men have been given their opportunity, perhaps 12,000 will be general haulage vehicles engaged on trunk traffics, and about 8,000 will be for special traffics. It would be foolish to break up the trunk lines into small pieces, after private and public ownership have amply demonstrated the advantages of large scale regular long-distance services. Among the special vehicles, there should be opportunities for hiving off some large undertakings—in contract hire vehicles, for example, and certain parcels and smalls services. It all turns on what is meant by "a reasonable price."

This process of disposal is beginning at the end of a year in which, by all the signs, British Road Services

should have made a distinctly satisfactory profit for the first time. How far it will be able to continue to make a satisfactory profit on the fleet—still a considerable fleet—that it will retain, is less certain, for it will have large competitors free to carry without restriction of distance. Moreover, all road hauliers, including the new entrants to the industry, must try to assess the force of the new criteria that the licensing authorities are to have in mind in considering applications for new licences. For the first time, the charges made by existing operators may be compared with the charges proposed by an applicant; secondly, objectors must prove the substance of their objections to new applications for licences; and thirdly, the licensing authority is to put the interests of the transport user before those of the transport operator. All this promises that the grant of new licences ought to be much easier than in the past, for hitherto the 1933 Act has been interpreted and administered in a highly restrictive way; if so, the areas of private monopoly, by benefit of operating licences, ought to be greatly reduced.

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In the further distance, there lie the problems of rail and road competition. The railways will eventually have maximum charges, with the promise of much more effective freedom to vary those charges, both upwards in their general level, and downward in ordinary commercial practice, than they have hitherto enjoyed. Long distance road haulage will be regulated by licence, presumably more freely obtainable than hitherto, but it will not be subject to any regulation of charges except to the extent that charges may be taken into account in the granting of licences. This situation could lead to a degree of competition between rail and road that would be sharply different from what has been taken as axiomatic for a quarter of a century. It was the plight of the railways that led to the Act of 1933; but the remedies did little more than set up licensed road haulage monopolies. The "Square Deal" was an attempt to solve the problem by a cartel; and nationalisation brought a further attempt to solve it through common public ownership, with new restrictions to bolster it up. Now, at least, a little competitive light seems to have been let in, and it must be given a chance to show whether it will work. If the bidders for road haulage are frightened of it, they do not deserve the benefits of denationalisation. If the railways are so obsessed with their century-old obligation of regular public service that they seek to impose it on other forms of competing transport, protecting themselves and their competitors in the process, the public can abandon hope of greater efficiency and lower costs. In transport, as in most things, the issue is not a plain choice between competition on the one side, and monopoly and cartel on the other side. But the Act puts at least a little more weight on the competitive end of the see-saw than it has felt for a quarter of a century. The new entrants into the road haulage industry should not, if they are wise, rush to the other end of the plank.

Jute: A Test Case

WITHOUT many people realising it, the Government has run into an awkward dilemma in its progress towards freedom in commodities; this has reached a stage where further advance would conflict with the most questionable principles of the Conservative party instead of merely with the crude ideologies of the Opposition. Only three small swings of the axe are now needed to free the country altogether from state trading in imported raw materials. By the end of this year the only materials still under Lord Woolton's control will be sulphuric acid materials, tungsten, and—most important—raw jute and jute goods. Of these, tungsten is kept under departmental control because the Government bought too much of it when prices were high, and is frightened of the political odium that would be involved in selling it on a free market at a heavy loss. Sulphuric acid materials (which are discussed in a Business Note on page 613) and jute are kept under Government control in order to protect home producers from more economic producers abroad. It is time that public attention was drawn to the plight of these last three slaves; and among them jute provides most scope for a detailed case study.

The removal of all restrictions on internal consumption of jute in September, 1952, formally recognised that the original *raison d'être* of the Jute Control had disappeared. Yet the control has run merrily on because the Government wants to protect the jute manufacturing industry in Dundee against competition from cheap Indian jute goods and because it is frightened that a switch to protection by way of tariffs would worry the Empire free traders, who are too short-sighted to understand the much more flagrant form of protection against Empire jute goods that at present exists.

The story is all the stranger because the element of protection in the work of the Jute Control arose fortuitously from the wartime system of supply and distribution. It involves two main features: first, the centralised purchase of imported goods; and, secondly, the equalisation of prices of home-produced and imported goods. This second feature first saw the light as a simple administrative device to make the two products freely interchangeable during wartime conditions of irregular supply. But, like all other essential features of the control, it has been maintained ever since. The control is still the sole importer of raw jute and of jute goods (apart from very small quantities of special goods that can be privately imported under licence). It is not

a bulk buyer in the usual sense, but is simply in the market from day to day. Some 60 per cent of Britain's requirements of jute goods are met from Dundee, and the control only imports what is needed after Dundee has produced all that it can.

Although the control does not trade in home-produced goods, the prices of these are controlled (in relation to raw jute prices) by a series of agreements with the industry. In theory the trade's permitted margins are maxima; in practice they are not undercut. Imported goods are normally much cheaper than Dundee-made goods, and the control sells them at Dundee prices. The current market price of Indian hessian, for example, is about 85s. 6d. per 100 yards for 10 oz/40 in. cloth, delivered Dundee, compared with 110s. for similar home-produced cloth. The control therefore makes a handsome profit from its sales of imported goods, and pays this over to the Exchequer; the only exception to this norm of high profits—profits made in part at the expense of inflating the packaging costs of British exporters—is in heavy Indian-type sacking, which is not made in Dundee.

Under the present system there is thus no direct price competition within the home industry, nor is there competition between Dundee and the Indian industry. The absence of competition within the domestic industry obviously cannot be defended. Continued protection against competition from cheap Indian goods might be described as an inescapable expedient—because without it there would be desperate and localised unemployment in Dundee—but obviously it should not be protection in its present form.

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What form, then, should protection take? This question was studied by the working party on jute appointed by the Labour Government in 1946 "to report as to the steps which should be taken in the national interest to strengthen the industry and render it more stable and more capable of meeting competition in the home and foreign markets." The working party's report, issued in 1948, put the conversion cost of 10 oz/40 in. hessian cloth in India at about £28 a ton, compared with nearly £48 a ton in Dundee. The estimate of Indian costs was based on incomplete information because the Indian industry would not co-operate, but the working party was satisfied that there was a gap between British and Indian costs—mainly attributable to lower Indian wages—that

no amount of re-equipment and reorganisation in Dundee could bridge. (The industry has in fact spent over £5 million on new equipment since the war.) The working party, therefore, concluded that there was no prospect of a healthy home jute industry without protection against Indian imports; and it recommended that so long as it was the policy of the Government to protect industry in this country, Dundee should be assisted.

Four possible methods of protection were suggested, but the report recognised—as the Government must be only too painfully aware—that all four were fraught with difficulties. One proposal was to limit the volume of imports by quotas to individual importers. This would mean that consumers who obtained a share of the cheaper imported goods would benefit at the expense of those that did not. A second proposal was to limit Indian imports to certain weights and types of goods. This would be open to the same objection, because consumers requiring cloth in the weights permitted to be imported would have an advantage over those requiring goods that could only be obtained in Dundee; moreover such a limitation would probably gradually lose its effect, because consumers would be sensible enough to try to adjust their requirements to the types of goods that could be imported from India.

A third proposal was to limit the volume of imports by centralised purchase, which might include, for

administrative simplicity, the purchase of raw jute. In effect, this would merely continue the present system. All three proposals would also conflict, as the present system does, with Britain's obligations under the General Agreement on Tariffs and Trade. It is a cardinal principle of Gatt that quantitative import restrictions should only be used as a means of protecting the balance of payments. Within the foreseeable future Britain is unlikely to have a balance of payments problem with India.

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There remained, therefore, only the expedient of a tariff on Indian goods; the working party thought it would have to be of the order of 20 per cent. One argument that is often advanced against this is that an ordinary tariff would be an inefficient method of protection, because the raw jute market in Pakistan and the market in jute goods in Calcutta are both subject to arbitrary influences and do not necessarily move in step with one another; a tariff on jute goods, it is said, would therefore inevitably be too high at one period and too low at another for Dundee's needs. The fundamental difficulty is that the Government fears to face the political approbium at home and abroad of imposing a tariff on a Commonwealth article that has long enjoyed the right of duty-free entry into Britain under the Ottawa Agreements. The trade agreements with both India and Pakistan, which intends to become an exporter of jute goods, would have to be revised, and the Import Duties Act and the Ottawa Agreements Act of 1932 would have to be amended. Moreover, India has knuckled under, tacitly at least, to the present method of protection; if another form of protection—even a more liberal form—was substituted for the present one, then the sleeping dog would be set barking.

This is the dilemma. For anybody who believes in the virtues of the market place—as the Government says it does—the solution must be clear. If protection has to be given to the jute industry, it should fulfil four conditions. Indian imports should not be limited by direct quantitative restrictions. The industry at Dundee should have a permanent incentive to reduce costs and prices. The burden upon consumers should be as small as possible. And the fact that a subsidy is being accorded should be brought out into the open. The present system offends against each of these principles. What seems to be required is a tariff that could be readily adjusted, by an appointed body, to changes in the Indian and Pakistan markets. The aim should be to give the home industry protection only at the margin, and if that margin can be progressively squeezed—as more economic industries are attracted to Dundee—then so much the better. Nobody wants to see the cruellest rigours of unemployment settle again in Dundee; but the Government should realise that protection for this hard case should take a more straightforward form.

Business Notes

Safety at 75 Per Cent?

THE details of "operation liberalisation" confirm the impression that Britain could have made more impressive headway in the removal of import restrictions from Europe—and thus gained additional kudos in OEEC—at little extra cost. As the Chancellor of the Exchequer announced in Paris late last month, the object of the new operation is to raise the percentage of private British imports from Europe that will be freed from import restrictions from 58 to 75 per cent, the minimum standard set by OEEC for countries not in serious balance of payments difficulties. The details now announced reveal that the biggest increase in liberalisation percentages is to be in imports of raw materials, from 55 to 80 per cent, thanks mainly to the removal of restrictions on the use of softwood; it is only fair to point out, however, that the liberalisation of 80 per cent of private imports means much more in this field than it did in 1948, because so many more raw materials have been returned to private trade. In foodstuffs the latest increase in the liberalisation percentage is from 58 to 72 per cent; the canned meats and other foodstuffs that were put on global quotas during the emergency import cuts of late 1951 and early 1952 have now been returned to open general licence—not a very important step as imports of them have long been sufficient for requirements. In manufactured goods the increase is from 65 to 72 per cent; the newly liberalised list includes the usual trivia such as bodkins, bird cages, thimbles, fly swatters, nut crackers and cocktail sticks, in which the Treasury apparently solemnly considered that Britain's balance of payments was extremely vulnerable before.

In all, the new measures of liberalisation are expected to add about £17 million to Britain's annual import bill, and the increase from £40 to £50 in the tourist allowance should not cost much more than £2 million. There has also been an increase of £2 million (to £13 million) in the import quota for paper and board during the first half of 1954, and a small increase of £160,000 in the quotas for certain other restricted goods. The countries that may benefit most are the Scandinavian countries, which are Britain's principal suppliers of paper, board and softwood, and to which British tourists can now take any reasonable amount of foreign exchange. The imports from OEEC countries that are still subject to licences are an odd assortment. An important group of them, horticultural products, are now restricted mainly to protect the domestic industry, and the quotas for these will be withdrawn when Britain puts up the tariffs on them (and thus takes advantage of the recent waiver granted by GATT). Could not Britain take that opportunity to move towards 100 per cent liberalisation—with the possible (though still doubtful) exceptions of wood pulp and paper and board?

Investigating Share Dealings

TWO parallel investigations—though of differing natures—have been set in train in the stock markets during the past week. The Board of Trade is to investigate the dealings that lifted the £1 ordinary shares of the Savoy Hotel up to a high point of 50s. 6d. last week (they dropped to 45s. 3d., partly because of the directors' denial that any bid for the shares was in the offing and partly because of the news of the investigation itself). And secondly, a sub-committee of the London Stock Exchange has been asked to inquire into the dealings that have caused even more violent fluctuations in the £1 shares of Slaters and Bodega, where negotiations for an offer by Berkeley Property and Investment had been opened but have now been broken off.

The Board of Trade's investigation into dealings in the Savoy shares has been made in response to a request by over 200 shareholders, owning over one tenth of the company's issued capital; this unusual request—the first of its kind, in fact, to relate to shares quoted in the stock markets—thus had the full backing required by the Companies Act. In making this investigation for the express purpose "of determining the true persons who are or have been financially interested in or able to control or materially to influence the policy of the company, with particular reference to stock in which dealings have taken place on or after August 4, 1953," Mr. J. B. Lindon, QC, the inspector appointed by the Board of Trade, will be able to penetrate the veil of nominee shareholdings. The sub-committee of the Stock Exchange that has been asked to inquire into dealings in the shares of Slaters and Bodega will not have this facility of ripping away any nominee's disguise (unless that nominee is a member of the Stock Exchange).

To the layman, at any rate, the purpose of the provisions for a Board of Trade investigation enshrined in the Companies Act appeared to be to give some protection to minority shareholders against a powerful controlling interest; they did not seem to be primarily designed to protect an entrenched power from an outside threat to its ease of mind. But publicity can do no harm in these cases—provided always that that publicity is not misread as building up a case for special regulations to stifle share dealings that lead to a more economic distribution of real resources. The investigations proceed; but nobody, and certainly not the free market, is on trial.

Steel in the Markets

THE 14 million £1 ordinary shares of United Steel emerged from their very successful flotation this week on an equities market that was by no means robust

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—but they held steadily to a 3d. or 3½d. premium throughout the first three days of dealing. At the opening on Monday, when it is estimated that between two and three million shares changed hands, there were inevitably some early fluctuations (the highest premium entered on the official list on that day was 6d. and the lowest 1½d.); but the whole operation has proved that even a queasy market can have a remarkably good digestion. The queasiness elsewhere, which was partly due to the antics of the engineering unions and partly merely a reaction from earlier exuberance, brought the *Financial Times* index of industrial ordinary shares down from 131.3 at the end of last week (0.4 points below the year's high in early November) to 130.1 by Wednesday's close; in the same period longer-dated Government stocks lost between ½ and ¾.

In all, the Realisation Agency had received 52,000 applications, for about 40 million shares, when the lists for the issue closed on November 9th; since a consortium of issuing houses had agreed to put in, or procure from other institutions, enough applications to cover all the 14 million shares on offer, this suggests that outside applications from the public amounted to about 26 million shares (involving some £32½ million in cash and securities at the issue price of 25s. each). About 8,500 of the pre-nationalisation holders wanted their shares back again, and they applied for 8½ million shares. In accordance with the agency's promise of preferential treatment, they received allotment up to and including 10,000 shares in full; but larger applications from them were accepted to the extent of only about 23 per cent (subject to this minimum allotment). The agency fulfilled its second promise, to give preferential consideration to applications for small numbers of shares, by according allotment in full for all applications up to and including 200 shares; acceptance of larger applications was made to the extent of about 11 per cent, subject to this minimum allotment. Government stocks were accepted by the agency in exchange for approximately 3 million shares; the other 11 million shares went to cash subscribers.

The agency must be delighted at this result. The issue has been much more widely spread than most analysts had originally expected. The institutions have got less than they had anticipated, and indeed less than some of them want; they have been buyers in the market this week, but not heavy enough buyers to allow the stags to make a "killing." And United Steel shares now stand in the market with some appearance of stability at around 25s. 3d., to offer a yield that is still over 7 per cent. Since the outlook for steel does not look like the sort that breeds long-term growth stocks, however; even those who do not set too much store by the Labour party's imprecations may feel that they are sufficiently valued at that price. Some six other major steel issues are waiting in the wings to follow a trail that has been so successfully blazed. Although all are of high standing, they are not necessarily all of quite the same calibre as United Steel; the recipe for success in these issues will presumably be the mixture as before, but with minor variations.

Green Light for Cotton

THE Government had an easy time in the debate on the second reading of the Bill to wind up the Raw Cotton Commission, the public agency that now supplies cotton

to about half Lancashire's mills and provides cover facilities both to spinners that buy from it and to those that buy privately. The difficulties and risks that will attend the complete reversion to private buying after next August, and the provision of private cover by a reopened Liverpool futures market are real enough (they were discussed in *The Economist* of November 7th), and the Opposition made much of them—but of a few that are less real. Though it roundly condemned the Bill as sacrificing Lancashire's true interests to speculators and politics, its arguments did not weaken the force of the Government's proposals. The Opposition was unable to suggest a satisfactory alternative, and it did not threaten to restore the Commission in full when it returned to power.

What the Labour Party—which was not impressed by the news that the Commission had lost another £25 million this year—would like to see, according to Mr Harold Wilson, is that the Commission should continue to provide cotton and cover to those spinners that wished to buy from it. This would remove none of the objections to the existing system. The contracting-in spinners would still be subsidised from the public funds that would be at risk on the Commission's stocks and its cover scheme. A dual cover system, part-Commission and part-Liverpool, would be completely unsatisfactory, and the Liverpool market would almost certainly refuse to attempt it.

Preparing for Christmas

THE official statistics for wholesale trade and retail stocks in September show that shopkeepers were getting ready for a busy winter and Christmas season—although the figures for retail sales themselves suggest that the persistently mild weather might already be doing something to disturb the persisting buoyancy of home trade. The average level of retail stocks was 8 per cent higher than a year before; a 25 per cent rise in stocks of women's outdoor clothes and a 28 per cent rise in stocks of children's clothes are signs that delivery of new winter stock must have been nearly completed by the end of September. Wholesale stocks were 10 per cent higher than a year before. The index of wholesale sales, mainly reflecting a rise in deliveries of textiles to the retailers, jumped from 78 to 135 per cent of the 1950 average between August and September (between the same months of 1952 the rise was less marked, from 67 to 118).

The total value of retail sales in September (excluding food) was 3 per cent higher than the year before, but this was due to larger sales of furniture, hardware and electrical goods, and (rather surprisingly), of jewellery and miscellaneous items. In winter clothing, where sales might have been expected to show a seasonal improvement, they either showed no change or else were lower than in September, 1952. Sales of men's and boys' clothes were 2 per cent lower, sales of women's outerwear 1 per cent lower, and sales of children's clothes showed no change. Apart from sales of women's underwear, which were 9 per cent higher in value, the trend seems to have been away from textiles towards durable goods—a strange state of affairs at this season of the year, and one that the Board of Trade attributes to the fine September weather. One sector where the

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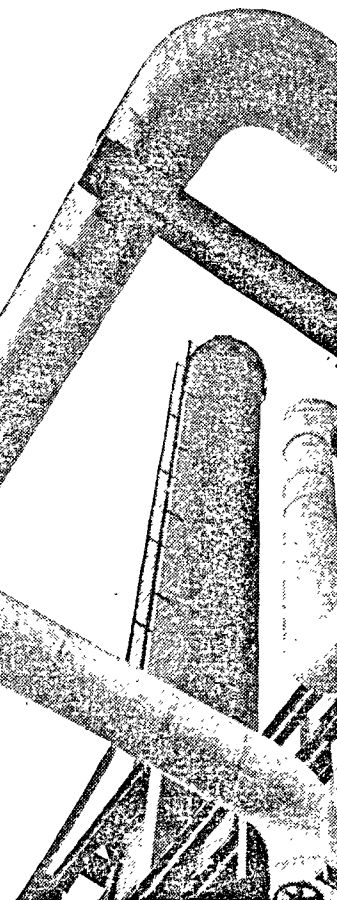
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boom is still in full flush is in the sweet shops. Sales of sweets were 27 per cent higher than in September, 1952; since last February the orgy in sweets has been running 35 per cent above consumption in 1952, and this when food sales as a whole are only 8 per cent higher, and when a proportion of even this modest increase has been due to higher prices. Sales of bakery products (16 per cent down in September) and of fish and poultry (5 per cent down) suggests where the money for sweets is being found.

Freedom for Softwood

THE removal of the last control on softwood, the licensing of consumption, has not come at a very propitious time, but the timber trade is not disposed to quibble about that. The overseas market has been firmer since the log auctions opened in Scandinavia early last month, and prices have risen by some £5 to an average of about £70 a standard, f.o.b. The freeing of consumption in Britain will tempt the Scandinavian shippers, who supply over half of Britain's requirements, to raise prices further, but there is no good reason why they should be successful. Stocks in Britain are high—at over 565,000 standards they are equal to nearly six months' consumption—and larger supplies of softwood from Russia should help to stabilise the market. There is a Russian representative in London at the moment; he is being very cagey about the quantity his Government is prepared to offer, but it is expected to be about 250,000 standards, nearly twice as much as Russia will have shipped to Britain this year.

Meanwhile, it will be interesting to see how the official estimates of the increase in consumption that would follow decontrol will be borne out. The official forecast was that consumption would rise by about 110,000 standards (or roughly 10 per cent) in the first year of freedom, by 80,000 in the second, and by 40,000 in the third—a total of 230,000 standards in three years. This would bring Britain's annual consumption to about 1.5 million standards, compared with the prewar average of about 2.3 million. Many former uses for softwood have probably been lost for good, but some of the substitution of other materials during the years of restriction has been flagrantly wasteful. A larger expenditure of foreign exchange will be a price worth paying for getting rid of the distortions that this substitution has caused.

Whitehall in the Box

ANYONE with a dilettante appetite for odd facts about weak spots in Whitehall's handling of matters of finance can always depend upon the bulky yearly record of the labours of the Public Accounts Committee for diverting bedside reading—by the easy method of random choice. For the serious investigator, of course, these verbatim reports of evidence before the Committee present a formidable, if often rewarding, task; but only the few

are likely to find it worth while this year—for there is no parallel this time to the substantial and revealing tale of the National Debt Commissioners that enlivened last year's proceedings. That, at least, is the impression given by the easy approach. But even that route discloses many intriguing by-ways.

There is, for example, the curious story of the Milk Marketing Board, a statutory board of producers the net assets of which belong to the producers, and to which the Ministry of Food paid an annual management fee of £600,000 for its job of distributing the Ministry's milk (bought from the producers) to the value of some £150 million and of collecting the sums due from wholesalers and retailers. But in addition the Ministry paid the Board a percentage fee to guarantee it against bad debts, a fee that started at 4s. 3d. a £100 back in "the mists of time of 1942" and was reduced to 1s. 6d. during the three years to 1952. Even in the three years at this reduced rate, the Board received a total of £265,000—yet the bad debts it shouldered on the Ministry's behalf came to a mere £7,000. Over the whole period its losses were £12,000, its receipts £1,087,000; and this surplus, subject to depredations by the tax-gatherer, belongs irrevocably to the Board. After criticism by the PAC, the Ministry has at last abandoned this largesse, but it has substituted a plan that the Committee still dislikes. The Ministry now shoulders any bad debts itself, but pays the Board 15 per cent on the amount by which they fall short of £100,000. The Committee may be unrealistic in complaining that the Board should need no incentive to do its "duty" in minimising bad debts; but the Ministry is equally unrealistic in measuring the worth of the plan by the saving it offers compared with the previous scheme. The payment still looks liberal.

The Miller's Tale

OR, again, also within the sphere of Food, there is the account of how the Ministry unwittingly and gratuitously provided a milling concern with huge amounts of working capital over a period of years. The miller, like others in the trade before the recent decontrol, in effect traded as agent for the Ministry and was due to pay over to it any excess of trading surplus beyond an agreed remuneration based (at first) upon his prewar profits. This particular miller, whose special product commanded a high price, had at the outset a capital of £39,000 and bank loans of £28,000, and its agreed remuneration was fixed at £8,000 a year, progressively raised to £36,000 as its turnover and trading surplus increased (though its paid-up capital did not). But although this revision was made, the Ministry apparently did not discover until years after each relevant date that a large part of each surplus due to be paid over was constantly in the hands of the company. The company's accounts seem to have been sent to the Ministry up to five years in arrear, with no accounts sent in the period 1946-49, and it was disclosed thereafter that the debt to the Ministry during this period was at times over £400,000. The outstanding debt at accounting dates averaged £220,000 over thirteen years. This expanding business, which began with one rented mill, bought three further mills and resold one of them during this period.

The lapses of Government departments—often, still, the legacy of frenzied pressure, new tasks and untrained staffs during the war—are not the only ones that are spotlighted in these PAC records. There is this year the first light upon the "probe" into banking accounts to spot the evaders of tax on deposit interest. By last February the Inland Revenue was expecting returns from the banks of interest paid on 1¼ million accounts—600,000 from the Post Office, 400,000 from the Trustee Savings banks and 250,000 from the joint stock banks. It had already received 500,000 returns and had settled 100,000 tax cases—with a tax collection of £4 million, generally from cases that did not suggest any "really culpable negligence." The Savings Bank returns, which comprised the bulk of those reviewed at that date, suggested that one in every four depositors had omitted to declare their interest for tax.

The Convertible Rouble

THERE is more than a touch of propaganda in one of the tokens of friendship that Soviet Russia has recently given to Finland. The Russians have promised Finland that its substantial rouble balances will be convertible. It would be a triumph indeed if the rouble could claim convertibility well before the pound sterling. The offer, however, is decided circumscribed. It provides for convertibility only of these particular roubles, and into West European currencies. This concession is an echo of the earlier suggestions made from Moscow that Finland might clear its rouble balances by means of triangular or multi-lateral trade with Western Europe. At an earlier stage in this project, the authorities in London were asked if the United Kingdom would accept roubles in payment for exports to Finland; but this obvious try-on provided little basis for serious discussion. The latest offer is more realistic. Russia's recent sales of precious metals, which have played an important part in forcing the free price for gold actually down to the dollar parity price, suggest that it is making some effort to build up its London balances. And, provided that it secures the necessary sterling, there will be every facility for it to repay its clearing debt to Finland by transferring sterling to that country. Both countries are in the transferable sterling account group, so that there would be no objection from London to such a transaction. If it takes place it would be extremely interesting to know what rate of exchange will apply to the conversion. Finland would have good reason to resent the use of the official rate of exchange between the rouble and sterling in such a transaction.

Two Australian Issues

AUSTRALIA is an active customer in the London capital market this month. On Thursday of last week details were announced of a new Australian Government loan at 4 per cent, maturing in 1966-68, offered at 99½. The loan is essentially a conversion operation, and is offered in

exchange for the £10.8 million of 3½ per cent stock that matures at the beginning of February. Cash applications, the lists for which opened and closed on Wednesday, are being accepted to the extent that the conversion offer is not taken up. The terms appear to be sufficient to encourage an improvement upon the meagre response to the issue made in mid-1952. The redemption yield at the issue price is £4 1s. (to latest date), or almost 2s. above the redemption yields on the Commonwealth 3½ per cent 1961-66 and 4½ per cent 1960-62 stocks. The margin of the yield on the new stock over yields on British Government stocks of comparable life conforms broadly with the existing pattern.

The news of the Australian Government issue was followed on Monday by the announcement of a "rights" issue by the London-registered Australia and New Zealand Bank, the merger institution formed in 1951 by the fusion of the Bank of Australasia and the Union Bank. Shareholders are offered 1,700,000 £1 "B" shares, in the proportion of one-in-five, at 26s., compared with a market price of 34s. 3d. on the eve of the announcement. The new (fully-paid) shares will be identical with the old except that they are not subject to reserve liability; the old shares are of £2, with £1 paid-up. The effect of the operation will be to augment the bank's capital resources by roughly £2.2 million, and to raise its paid-up capital to £10.2 million. In the year to September 30th last the net profits of the bank rose from £A701,608 to £A749,865; the dividend was maintained at 10 per cent. The issue is in line with recent moves by other Australian banks to bring their capital more into conformity with their expanded activities; the Commercial Bank of Australia and the Bank of New South Wales have both made capital issues during the past year.

Cycles on Show

THE annual cycle and motor cycle show that opened in London last week-end is designed for the public more than for the trade. The motor industry might learn a great deal from this display about the judicious use of chrome and colour, combined here in remarkably happy effect. About two-thirds of bicycle production still goes to export. Total export sales last year amounted to 2.8 million (valued at £24 million) out of a total production of about 3.6 million; the biggest markets were Malaya, British West Africa and the United States in that order. This year production has been cut back to an annual rate of about 3 million; import restrictions are expected to cut exports for the year to about 2 million, and the home market is less buoyant than it has been. But a breakdown of exports for the first three quarters of the year shows the United States as the leading export market (276,000 bicycles valued at £2.5 million) followed by British West Africa (177,000) and Malaya (100,000). In 1953 as a whole, the industry expects to sell about 350,000 bicycles to the United States; if so, exports to this market will have doubled in twelve months—a remarkable achievement in a country where so many working men have their own cars.

Current production of motor cycles is probably running slightly above last year's total of 153,000, of which about 65,000 (against last year's 70,000, valued at £8

million) are likely to be exported. Sweden is the biggest market, followed by Australia and the United States; to the industry's great relief the American Tariff Board has recently refused to give further tariff protection to producers there. Both the cycle and motor-cycle industries are adept at building to widely varying overseas requirements; a significant feature of the bicycle exhibits was the number of apparently old-fashioned upstanding designs produced for colonial markets. Many makers are also selling models with rear wheels and frames reinforced for use with small auxiliary motors. Last year the industry cut its prices in order to revive flagging home demand; with the worst of the slump behind it (or so producers hope), no further cuts have been thought necessary this year. The retail price for a standard bicycle therefore ranges from £12 to £20 (with tax) and children's models are not much cheaper. The motor-cycles as shown start at £66 (with tax) but go on into rarefied ranges above. Profit margins are clearly lower than in 1951, but if competition grew fiercer it is difficult to believe that prices could not again be cut.

Profits Tax in the Balance Sheet

PROFITS tax is a Gordian knot of complications, as any investor who has tried to calculate percentage earnings on equity capital will admit. But the problems that profits tax raises are far more important than mere difficulties in arithmetic. When profits tax is assessed, all profits liable for it are charged at the full rate of the tax (at the moment 22½ per cent), but then this charge is reduced by a non-distribution relief (at the moment 20 per cent) on the amount of profits not distributed. In assessing the tax the Commissioners of Inland Revenue define distributions to shareholders in such a way as to include not only distributions from current earnings, but also to include distributions of profits that have been earned in the past and then have been held for a time in reserves, and indeed the distribution of capital surpluses too. Hence the reserves shown in a balance sheet are not wholly what they appear, for if they were to be distributed to shareholders they would in most cases attract the payment of non-distribution relief that the company had already received. The question whether some reference should be made in a balance sheet pointing out this possible liability for profits tax has been debated by accountants for some time and now the Institute of Chartered Accountants has made an authoritative pronouncement on this subject in two pamphlets, one of which codifies accounting practice for the accountants' reports that have to accompany company prospectuses and the other containing a detailed and highly technical discussion of the treatment of profits tax in accounts.*

The Commissioners of Inland Revenue can claw back any of these accumulated reliefs only if in an accounting period the "amounts distributed" exceed the profits (as defined for profits tax purposes) accruing in that period. This provision would be of little significance were it not for the fact that the Commissioners' definition of "amounts distributed" range far beyond distributions out of cur-

* Recommendations on Accounting Principles (Number XVI) and Notes on the Treatment of Profits Tax in Accounts.

rently earned revenue and capital profits to embrace distributions out of reserves built up in the past from ploughed back revenue or distributions out of accumulated capital profits; and in some exceptional cases this definition is stretched to cover a reduction in capital and even a capitalisation of reserves as well. How, then, should an accountant tackle the problem of showing shareholders that accumulated reserves, if they were to be distributed, would attract an additional charge for profits tax?

Finding the Core

IF he wishes to set a figure to this liability, there seem to be two courses of action open to him. Either he can show the total sum of non-distribution reliefs that have been accumulated (although, even here, he would have to make it clear that these sums have not actually been ploughed back into reserves); or else he can make an intricate calculation of the total amount that would be paid out in profits tax if all the company's reserves were distributed. But both systems can be misleading. The publication of the accumulated sums of non-distribution relief fixes only the upper limit of the profits tax that may be levied, and with any distribution (even one of the whole of reserves) the levy would usually fall well short of this amount. The second method may be less illogical, but any reference to the distribution of all reserves to shareholders immediately conveys the impression of liquidation and is thus hardly an appropriate basis for calculation in a balance sheet that is drawn up on the assumption that the business is a going concern; furthermore, such a calculation would be forced to ignore the element of capital profits (which would themselves attract a further charge for profits tax) that could arise when a company is liquidated.

After pondering these and kindred problems in great detail the Institute comes to the conclusion that—except perhaps when the liquidation of a company is planned—accountants should merely draw shareholders' attention to the problem without specifying any precise figure for the tax liability. It suggests that a note might be included in the balance sheet stating, for example:

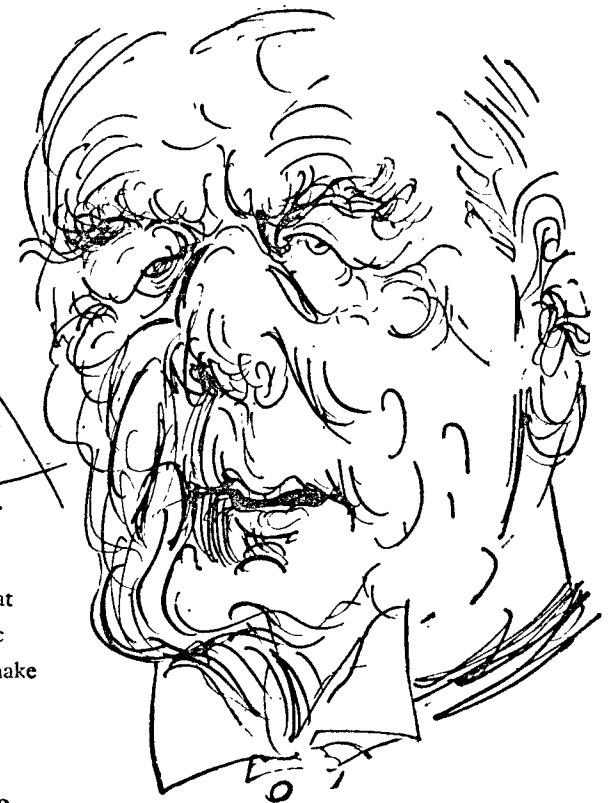
The company has been given profits tax non-distribution relief and accordingly a profits tax charge would normally be incurred in the event of a distribution to shareholders out of reserves, including the balance on profit and loss account.

After such a long-drawn-out argument the Institute risks comparison with Ibsen's Peer Gynt, who, after laboriously peeling an onion layer by layer, discovered that it had no core.

BOAC and the Comet III

BRITISH Overseas Airways Corporation signed its first order for five Comet IIIs this week, bringing the corporation's projected Comet fleet up to 25. BOAC has had an option on ten of these aircraft from their inception, and has taken some time to reach a final decision on

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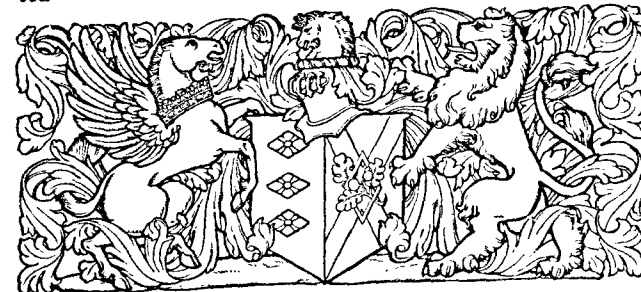
Basic chemical ingredients are as vital to the world's textile industries as flour and salt are to the cook in the making of ravioli. One of these basic chemicals is the range of Hydrosulphite, essential for the dyeing of super-fast colours. The large independent company of Brotherton, established in 1878, is now one of the world's chief manufacturers of these basic chemicals.

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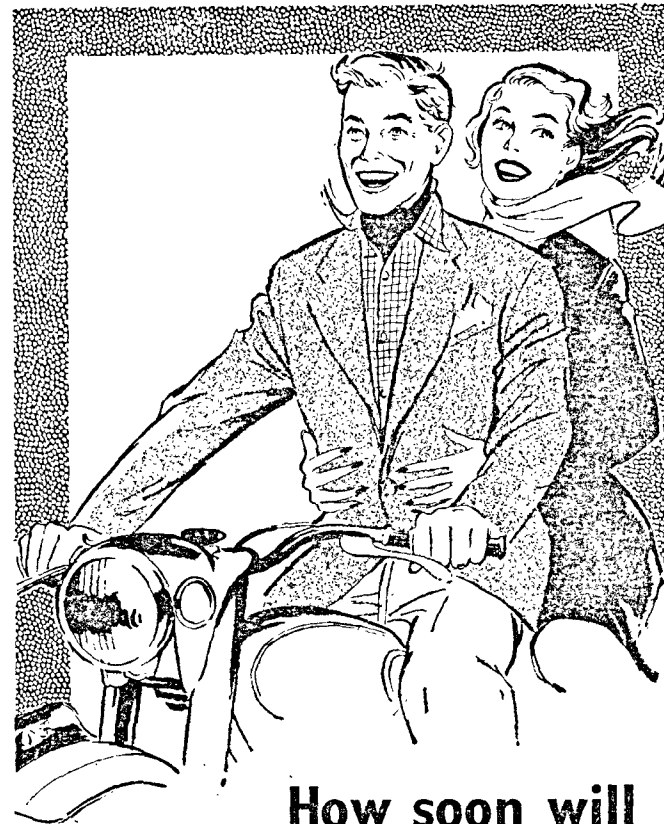
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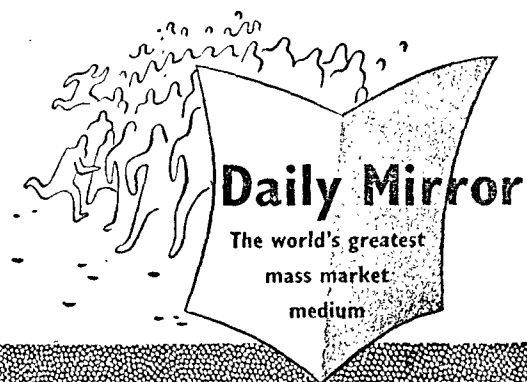


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the purchase of a design that has aroused considerable discussion. Delivery will begin in 1956, provided that the aircraft makes its first flight next year as scheduled. At the same time, the de Havilland Company expects to start delivering the three Comet IIIs ordered last year by Pan American—assuming that the argument about American recognition of a British certificate of airworthiness has been resolved by that date. BOAC earlier agreed to waive its option on a certain number of Comets IIIs in order to give Pan-American quick delivery. The third order signed for Comet IIIs is for two aircraft for Air India; but other orders are under negotiation and clearly BOAC could not indefinitely postpone a decision on Comet IIIs. The Comet III, with its effective range of 2,500 miles, including provisions for diversions, has still to prove its worth in North Atlantic transport, and to show whether its high speed is seriously qualified by the need for an intermediate stop. But it is the only modern long-range transport that will be on the market by that date. The turbo-prop Britannia, which some engineers expect to oust the pure jet transport from civil operation, is still unproved, and no airline would be justified, at this stage, in basing its whole long-range fleet on the Britannia.

Japan Searches for Sterling

JAPAN'S shortage of sterling is becoming more and more acute. When it first felt the pinch this spring, it thought it was a purely seasonal phenomenon; and it made arrangements to eke out its sterling balances by some £30 million of dollar swaps (spot purchases of sterling against dollars, balanced by forward sales of sterling against dollars in the London market). But when these contracts matured in August, the pinch was still there; and the swap operations were renewed—in fact the amounts involved were increased. Between now and the end of the year they will fall due once more, and Japan will again have to search for sterling. Either it will have to try to get the swap operations renewed or find other ways of borrowing sterling in London; or else, if Britain objects, it will have to sell dollars to the Bank of England against sterling or buy sterling for yen from the International Monetary Fund. It seems likely that it may seek a combination of these devices.

Meanwhile, one swap contract amounting to £1 million has already fallen due and has been settled out of Japanese working balances in London. After this transfer was made, the foreign exchange director of the Ministry of Finance in Tokyo announced that Japan had applied to purchase sterling from the International Monetary Fund. Recent comment from his office has suggested that Japan is determined to beat about every possible bush in order to avoid having to sell some of its precious but adequate dollar reserves outright in order to restore its sterling balances. These and the related commercial problems are due to be discussed in London soon between representatives of the Japanese and British Governments. The principal object of these negotiations is to renew the Anglo-Japanese payments agreement that expires at the end of the year and under which Japan has the right

(codified in an exchange of letters between the two central banks) to transfer sterling to any other transferable account country; but it is certain that Japan will emphasise that its principal problem today is not that of paying out but of receiving sterling. Although shrill complaints about sweated labour die hard, Japan's export prices are not fully competitive in the sterling area today; the cheapest textiles now on offer in West African markets are not of Japanese, but of Southern European, origin. The balance of payments between Japan and the sterling area makes it more than ever difficult to understand Britain's churlish attitude towards the inclusion of Japan in Gatt and the attempts that it is still making to discriminate against Japanese imports into colonial territories.

Shelter for Sulphur

THE import of crude sulphur and sulphur-bearing pyrites may well be the next candidate for restoration to private trade. The acute world shortage of sulphur ended many months ago and supply and demand throughout the world have been approximately in balance for most of this year. Britain is still not importing as much sulphur as formerly, but the expansion of sulphuric acid production from pyrites and from spent oxides, together with economies in the use of acid itself, have offset the fall in the production of acid from elemental sulphur. Production of acid in the first eight months of this year averaged 151,000 tons a month, which slightly exceeds the peak of 150,000 tons a month in 1950. Stocks of crude sulphur have been run down in recent months, but they are still well above the average monthly level of 1950. The Ministry of Materials removed controls on the use of sulphur—except for its principal use in the production of acid—last February, and price controls were withdrawn in July. But it appears that the return of private trading in sulphur and pyrites, when it comes, will not be accompanied by complete freedom to import sulphur.

In a statement last February the Ministry of Materials explained that the control of sulphur for the production of acid was being retained so that sulphur should be used only to the extent that acid made from other materials fell short of total needs. This was necessary to ensure the full operation of the plants using pyrites and anhydrite which were coming into use, in order to lessen industry's dependence on imported sulphur and to conserve supplies. Imports of sulphur, the Ministry added, would therefore continue to be restricted. The chickens hatched during the sulphur panic of 1951, for which government policy at the time cannot escape a large part of the blame, seem to be coming home to roost. The cost of producing 100 per cent acid from domestic anhydrite, assuming a reasonable price for the cement clinker produced as a by-product, is now estimated at £8 2s. a ton, and for plants using pyrites the cost is £9 2s. a ton. These figures compare with £7 2s. a ton for plants using American sulphur. So the high-cost plants are evidently to be protected against competition from the cheaper sulphur-burning plants.

The Ministry stated that there could be no assurance that there would not be another serious shortage of sulphur

within a few years. This view is not necessarily any more accurate than former official views about sulphur—which proved to be hopelessly wrong. Supplies of American low-cost sulphur are indeed declining, but higher prices have already stimulated considerable programmes of development and exploration, and have created new sources of sulphur recovered from oil refining.

Agreement on Tin?

THE United Nations conference on tin has opened in Geneva in more favourable circumstances than the 1950 meeting, when the leader of the United States delegation promptly declared his government's opposition to an international tin agreement, on the ground that it was unnecessary. Events showed that he was right. Panic buying set off by the Korean war sent the price of tin soaring from £600 a ton in June, 1950, to a peak of £1,615 a ton eight months later and the threatened surplus melted away. The price remained high even after the boom collapsed, and only since May this year has it dropped back to about £600 a ton. Although mining costs have risen in the last three years, world production has not so far been affected by the fall

in price; the closing of some small high-cost mines has been offset by increased output from others. World consumption this year has been maintained at an annual rate of about 130,000 tons, and the surplus of tin, now put at 30,000 tons for 1953, is still being taken off the market by American strategic purchases from Indonesia and certain other producers. The largest of these contracts, however, are now due for renewal for a further year, and in future they will be based on market prices, and no longer on fixed prices well above market levels. If the United States were to decide to re-sell such tin on the open market, the surplus would become a reality.

The work of the Geneva conference has been smoothed by the progress made at the Tin Study Group's working party in Brussels last June, but it will still not be easy to reach agreement either on the need for a regulation scheme, or on the way that exports should be controlled under such a scheme; the operation and financing of a buffer stock and the fixing of floor and ceiling prices are thorny topics. It does not follow, however, that because the same group of consuming countries represented at Geneva turned down a regulation scheme for natural rubber last month that they will necessarily do the same for tin. But the last word on the proposals will not be known until the United States has completed its review of foreign economic policy next year. The United States delegate has made it clear that he is in no position, at this stage, to commit his government to any specific course of action.

Company Notes

TUBE INVESTMENTS. The full report of Tube Investments had been eagerly awaited; it was the preliminary report of this company, which showed that trading profits had fallen from £10,574,315 to £7,458,583 in the year to July 31st last and that the equity dividend was to be left unchanged at 15 per cent, that caused a sharp set-back in the market two weeks ago. The publication of the full report has now allowed the £1 ordinary stock units to settle down at around 63s., compared with the recent "high" of over 71s.; but even at this price they offer a yield of only 4½ per cent. Thanks to a tax adjustment of £1,033,958 (arising partly from an over-provision for tax in 1951-52 and partly from a settlement of EPT), the amount available for distribution actually increased last year from £3,388,970 to £3,754,130; the dividend, which takes only £569,038 of this, is therefore well-covered. But the yield must obviously make the stock unattractive to short-term investors, although there seems a prospect of a rise in profits—but not necessarily in dividends—in the current year.

The chairman, Mr Ivan Stedeford, has couched his statement to shareholders in very cautious terms. He points out that after allowing for depreciation and the element of inventory gains in the profits for 1951-52 the true fall in the group's earnings last year was from £8,056,595 to

£5,872,259, or by 27 per cent; but he then adds that this decline arose from a fall of only 4 per cent in turnover (although the group's direct exports fell by £2 million to £18 million). In other words, the group has been more or less holding its own in extremely competitive markets, but at the expense of a sharp reduction in profit margins. There is no hint in Mr Stedeford's statement that these margins

	Years to July 31, 1952	1953
Consolidated earnings:—		
Trading profit.....	10,574,315	7,458,583
Total income.....	10,809,554	7,785,455
Depreciation.....	1,517,720	1,586,324
Taxation.....	5,879,675	3,415,171
Net profit.....	3,388,970	2,720,172
Tax adjustments.....	...	1,033,958
Available for distribution.....	3,388,970	3,754,130
Ordinary dividends.....	539,691	569,038
Ordinary dividends (per cent).....	15	15
Retained by subsidiaries.....	881,994	769,819
Revenue reserves.....	1,630,754	2,150,000
Added to carry forward.....	187,959	111,985
Cons. balance sheet:—		
Fixed assets, less depreciation.....	19,515,714	20,884,561
Net current assets.....	23,948,258	23,591,757
Stocks.....	15,933,459	15,835,872
Total liquid assets.....	8,650,490	7,811,990
Reserves.....	27,841,231	30,813,790
Ordinary capital.....	6,856,980	6,897,431

£1 ordinary stock at 63s. x d. yields £4 15s. per cent.

will widen rapidly again; the most that the directors feel able to say in their report is that "by the end of the year general conditions showed signs of improvement

and of trade settling down on a more even keel." There are, however, some other reasons for expecting a recovery this year. First, the substantial loss made by the group's aluminium division in 1952-53 is unlikely to be repeated. Secondly, the profits of divisions manufacturing capital goods (particularly engineering products) are still rising. Thirdly, the group is steadily widening the circle of its interests. It has recently purchased the Round Oak Steel Works for about £5,800,000; the directors believe that this should ultimately enable them to secure sufficient tube steel to meet the group's expanding requirements. This and similar purchases, together with a programme of capital development that cost the group about £3 million in 1952-53 (and that should on present indications, cost it at least another £3½ million in the current year), make continual calls upon the group's financial resources. Investors must therefore expect the emphasis to be placed—as it was in the latest financial year—upon the ploughing back of profits rather than upon a generous dividend policy. This should be a long term growth stock, but on short-term considerations it still looks too high.

FISONS. The full report of Fisons shows that the increases in trading profits (from £2,309,974 to £3,203,257) and in the ordinary dividend (from 10 to 12½ per cent) for the year to June 30th last were firmly based on an increase in the total value of sales from £21,975,000 to £26,441,000. By using new productive capacity to the full, the group secured

a large share of the total increase of sales of fertilisers in this country, from 2,740,000 tons to just over 4,000,000 tons. The chairman, Mr F. G. C. Fison, is confident that the demand for fertilisers in the current year should not be less than it was in 1952-53; in fact, the group is making its plans on the assumption that demand will increase further.

The prices of the group's principal raw materials (with the exception of sulphuric acid) dropped last year. This is reflected

	Years to June 30, 1952	1953
Consolidated earnings:—		
Trading profit.....	2,309,974	3,203,257
Total income.....	2,497,942	3,372,044
Depreciation.....	594,989	651,479
Taxation.....	805,201	1,568,596
Net profit.....	643,660	701,429
Ordinary dividends.....	233,024	383,059
Ordinary dividends (per cent).....	10	12½
Retained by subsidiaries.....	89,571	39,416
General reserve.....	375,000	425,000
Added to carry forward.....	14,648	Dr. 15,411
Cons. balance sheet:—		
Fixed assets, less depreciation.....	8,549,525	8,250,953
Net current assets.....	5,890,859	7,041,139
Stocks.....	4,968,080	4,319,326
Total liquid assets.....	859,487	3,591,247
Reserves.....	5,060,863	5,736,479
Ordinary capital.....	4,438,556	4,438,556

£1 ordinary stock at 41s. 9d. yields £6 per cent.

in the fall in the book value of the group's stocks (from £4,968,080 to £4,319,326) and—at one remove—in the expansion of its liquid resources from £859,487 to £3,591,247. This is an ample balance to cover immediate stock commitments, and at the current price of 41s. 9d. the company's £1 ordinary stock units still look healthy.

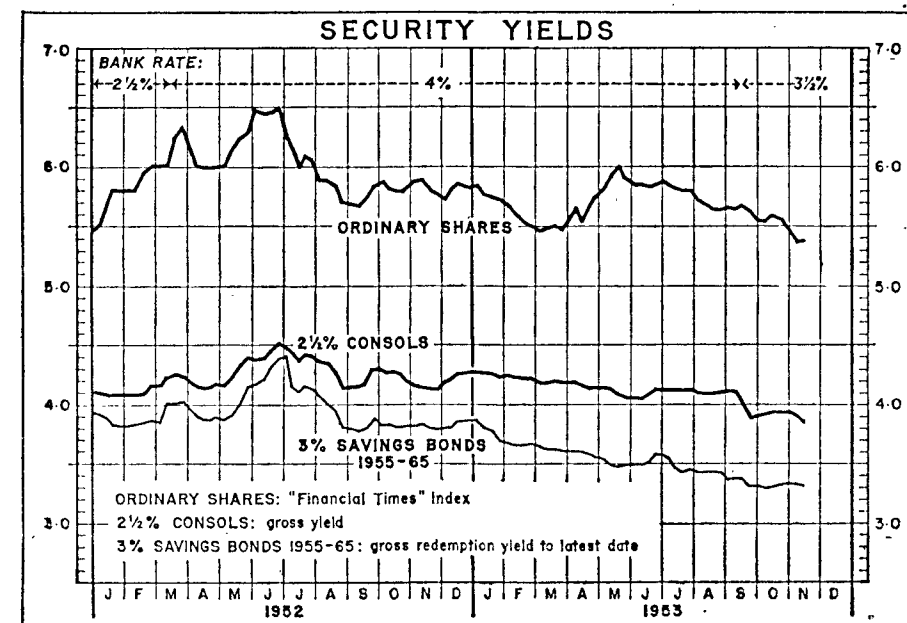
TRINIDAD LEASEHOLDS. The steady rise in the 5s. ordinary stock units of Trinidad Leaseholds in recent weeks put on another 6d., to 34s., after the publication of the company's preliminary statement for the year to June 30 last. The increase in the tax free ordinary dividend from 16½ per cent to

20 per cent was more or less in accordance with anticipations; but the bulls' appetite has been whetted by the hope that the proposed 100 per cent scrip issue may presage other increases to come. As the new dividend, which absorbs £327,890, is amply covered by net profits of the order of £1¼ million, this hope is not necessarily without foundation.

Unfortunately, the company's preliminary profits statement is cast in an unnecessarily complicated and confused form. The only fact that emerges with any clarity from it is that the consolidated net profit has fallen from £1,889,952 to £1,774,652. No figure is published for the group's gross earnings and shareholders are left to draw their own implications (which on the face of it cannot be particularly satisfying) from the statement that British taxation charged in arriving at net profits has fallen from £4,047,780 to £2,903,443. Until the full accounts are published investors might be unwise to chase too furiously after the hare of the scrip issue, especially as the 5s. ordinary shares (at the current price of 34s.) offer the not particularly generous yield of just over 5½ per cent.

INTERNATIONAL NICKEL.

—The recent reduction from \$2.60 to \$2.35 a share in the distribution on the no par value common stock of International Nickel seems to have been due to a rise in operating costs. The group's customary report for the nine months' trading to September 30th shows that sales rose again in this period, from \$229 million to \$255 million; but operating costs rose from \$139 million to \$166 million, so that the group's consolidated net earnings fell from \$45.7 million to \$41.3 million. As a result, earnings on each common share were \$2.72 in these nine months, compared with \$3.03 in the corresponding period of 1952. The underground mining of nickel, which has been forced on the company by the exhaustion of surface ores, is obviously proving a costly business.



LONDON STOCK EXCHANGE

Next Account begins: November 25th.
Next Contango Day: November 25th.
Next Settlement Day: December 1st.

ALTHOUGH more bargains—11,406 of them—were marked on Monday of this week than at any time since May, 1951, the stock markets had a patchy appearance this week. The huge turnover on Monday was due, of course, to dealings in the new United Steel equity; the premium on it started at 3d.-6d., settled down quickly at 3d., and has since stayed there. But other sections of the market have been disturbed by the proposal to call a token strike in the engineering industry. Gilt-edged stocks, which had remained firm before the week-end, began to waver in the face of a certain amount of routine selling at the beginning of this week. Their prices slipped back a little on Tuesday, but then staged a slight rally on Wednesday. As a result of these conflicting movements old Consols rose from 64½ to 65½ in the week to Wednesday's close, but 3½ per cent War Loan fell from 85½ to 85½; some of the other long dated stocks showed slight losses on the week, notably Transport (1978-88) which fell from 86½ to 85½. In the foreign market Japanese dollar loans remained in demand while German Potash loans advanced quite briskly; the weakest section of this market was that dealing in Greek loans.

In the industrial market, prices remained steady throughout dealings on Monday, with chain store shares being particularly lively after the announcement of the increase in Marks and Spencer's interim dividend. On Tuesday, however, the threatened strike in the engineering industry led to widespread, though small, losses throughout the market. The only group to move strongly against this ebbing tide were brewery shares, to which buyers had been attracted by a good crop of dividends and preliminary results. Oil shares remained quiet, but rubbers attracted scattered support. Kaffirs showed some improvement, while Rhodesian copper shares gained a little ground on the hope that uranium may be developed in the copper belt.

FINANCIAL TIMES INDICES

	Security Indices		Yields	
	Ord.*	Fixed Int.†	2½% Cons.	Ord.
1953				
Nov. 11...	131.1	112.15	3.85	5.37
" 12...	131.1	112.21	3.83	5.37
" 13...	131.3	112.26	3.83	5.37
" 16...	131.2	112.30	3.84	5.37
" 17...	130.5	112.30	3.85	6.40
" 18...	130.1	112.32	3.84	5.41
1953, High.	131.5	112.32	Total bargains Nov. 11 10,390	
" Low.	113.9	105.68		
(May 20)	(Jan. 5)		" 13 9,798	
			" 16 12,351	
1952, High.	121.5	106.66	" 17 9,314	
" Low.	103.1	100.67	" 18 9,465	
(June 24)	(July 3)			

* July 1, 1935=100. † 1928=100.

LONDON ACTIVE SECURITIES

Prices, 1953 Jan. 1 to Nov. 18		BRITISH FUNDS AND GUARANTEED STOCKS		Price, Nov. 11, 1953	Price, Nov. 18, 1953	Net Yield, Nov. 18, 1953 %	Gross Yield, Nov. 18, 1953 %	Prices, 1953 Jan. 1 to Nov. 18		Last Two Dividends (a) (b) (c)	ORDINARY STOCKS		Price, Nov. 11, 1953	Price, Nov. 18, 1953	Yield, Nov. 18, 1953 %
High	Low	High	Low					High	Low		High	Low			
100 1/2	99 1/2	War Bonds 2 1/2% '52-54...	100 1/2	100 1/2	0 1 1	2 1 5	47/6	32 3/4	10 1/2	12 1/2	STEEL & ENGINEERING		45/6	43/6	5 16 3
100 1/2	98 1/2	Exchequer 2 1/2% 1955...	100 1/2	100 1/2	0 19 9	2 4 3	14/3	10 10 1/2	15 1/2	15 1/2	5 a Cammell Laird 5/...		13/6	13/6	6 17 9 1/2
102 1/2	99 1/2	Exchequer 3% '62-63...	102 1/2	102 1/2	1 6 1	2 13 9	55 1/4	45/3	10 1/2	10 1/2	5 a Guest Keen N'fold 1/...		52/6	53/6	5 13 2 1/2
100 1/2	99 1/2	Exchequer 3% '62-63...	100 1/2	100 1/2	1 12 9	2 19 6	25 1/4	25 1/4	10 1/2	10 1/2	United Steel 1/...		25 1/2	25 1/2	...
99 1/2	98 1/2	Serial Funding 1 1/2% 1954...	99 1/2	99 1/2	1 3 6	1 19 6	51/9	44/6	12 1/2	12 1/2	2 1/2 a Vickers 1/...		50/6	51/6	5 16 6
99 1/2	98 1/2	Serial Funding 2 1/2% 1957...	99 1/2	99 1/2	1 6 11	2 7 4	...	...	...	...	TEXTILES		...	...	...
101 1/2	100 1/2	Serial Funding 3% 1955...	101 1/2	101 1/2	0 19 5	2 6 6	34/6	21 1/4	7 1/2	7 1/2	4 a Bradford Dyers 1/...		33/6	32/6	6 15 5
100 1/2	98 1/2	War Bonds 2 1/2% '54-56...	100 1/2	100 1/2	1 2 8	2 7 3	28/9	21 1/4	11 1/2	11 1/2	12 Brit. Celanese 10/...		26 10 1/2	26 6	6 0 9 1/2
100 1/2	99 1/2	Funding 2 1/2% '52-57...	100 1/2	100 1/2	1 7 2	2 11 4	49/9	41 1/4	5 1/2	5 1/2	7 1/2 a Coats (J. & P.) 1/...		47/6	45 6	5 9 11 1/2
101 1/2	99 1/2	Nat. Debt. 3% '54-58...	101 1/2	101 1/2	1 5 2	2 14 0	49/3	37/3	6 1/2	6 1/2	5 a Courtaulds 1/...		48/6	47/3	4 15 3
102 1/2	99 1/2	War Loan 3% '55-59...	102 1/2	102 1/2	1 6 9	2 13 11 1/2	53/9	38/6	10 1/2	10 1/2	5 a Lanes Cotton 1/...		53/3	52 6	5 14 3 1/2
97 1/2	91 1/2	Savings Bonds 3% '55-65...	97 1/2	97 1/2	1 18 7	3 6 10 1/2	69/6	49/6	4 1/2	4 1/2	16 a Patons & Baldwins 1/...		67/6	69/6	5 15 11 1/2
98 1/2	93 1/2	Funding 2 1/2% '56-61...	98 1/2	98 1/2	1 14 0	2 17 2 1/2	44/6	36/6	7 1/2	7 1/2	ELECTRICAL		42/6	42/6	4 14 1 1/2
92 1/2	86 1/2	Funding 3% '59-69...	92 1/2	92 1/2	2 5 3	3 13 10 1/2	40 10 1/2	33/3	2 1/2	2 1/2	12 1/2 a Assoc. Elect. 1/...		40/6	40/6	5 0 0
95 1/2	87 1/2	Funding 3% '66-68...	95 1/2	95 1/2	2 1 9	3 10 4 1/2	61/6	51/6	10 1/2	10 1/2	8 a Brit. Insulated 1/...		58/9	60/6	5 0 0
102 1/2	98 1/2	Funding 4% '60-90...	102 1/2	102 1/2	1 19 5	3 15 6 1/2	46/6	36/6	3 1/2	3 1/2	5 a English Elect. 1/...		38/9	40/6	5 12 6
91 1/2	85 1/2	Savings Bonds 3% '60-70...	91 1/2	91 1/2	2 5 10	3 14 10 1/2	...	...	...	...	7 1/2 a General Elect. 1/...		...	...	...
91 1/2	84 1/2	Savings Bonds 2 1/2% '64-67...	91 1/2	91 1/2	2 5 2	3 9 3	19/6	15/6	6 1/2	6 1/2	MOTOR & AIRCRAFT		18/3	18/3	5 8 3
103 1/2	100 1/2	Victory 4% '20-76...	103 1/2	103 1/2	2 0 6	3 16 9 1/2	7/7 1/2	5 8 1/2	4 1/2	4 1/2	3 1/2 a Bristol Aero 10/...		7/6	6 7/2	7 18 6
89 1/2	82 1/2	Savings Bonds 3% '65-75...	89 1/2	89 1/2	2 6 0	3 15 6 1/2	35/10 1/2	23/6	7 1/2	7 1/2	6 1/2 a British Motor 5/...		27/6	27 6	5 9 1
95 1/2	86 1/2	Consols 4% alt. Feb. '57...	95 1/2	95 1/2	2 6 6	4 5 1 1/2	37/3	25 1 1/2	15 1/2	15 1/2	7 1/2 a De Havilland 1/...		36/6	35 3	4 5 1 1/2
86 1/2	77 1/2	Conv. 3 1/2% alt. April '61...	86 1/2	86 1/2	2 4 8	4 1 5 1/2	47/9	36/6	5 1/2	5 1/2	6 a Hawker Siddeley 1/...		46 6	45 3	5 1 8
65 1/2	57 1/2	Treas. 2 1/2% alt. April '75...	65 1/2	65 1/2	2 2 7	3 17 7 1/2	96/3	78/6	25 1/2	25 1/2	25 a Leyland Motors 1/...		87/6	87/6	5 14 3
75 1/2	67 1/2	Treas. 3% alt. April '66...	75 1/2	75 1/2	2 3 9	3 19 9 1/2	30/9	24/6	25 1/2	25 1/2	2 a Raleigh Ind. 1/...		30/7 1/2	30/7 1/2	5 8 10 1/2
94 1/2	87 1/2	Treas. 3 1/2% '77-80...	94 1/2	94 1/2	2 5 6	3 18 4 1/2	71/3	58/6	10 1/2	10 1/2	5 a Rolls Royce 1/...		68 1/2	67 6	4 8 11 1/2
94 1/2	90 1/2	Treas. 3 1/2% '79-81...	94 1/2	94 1/2	2 4 10	3 18 3 1/2	7/3	5 3/4	12 1/2	12 1/2	12 a Standard Motor 5/...		6/6	5/6	10 18 2
86 1/2	76 1/2	Redemption 8% '86-96...	86 1/2	86 1/2	2 3 6	3 13 10 1/2	23/3	19/6	20 1/2	20 1/2	SHOPS & STORES		22/6	22/3	4 9 11 1/2
87 1/2	77 1/2	War L'n 3 1/2% alt. Dec. '52...	87 1/2	87 1/2	2 5 0	4 1 10 1/2	38/9	16 1/2	12 1/2	12 1/2	5 a Boots Pure Drug 5/...		36/6	35 6	5 12 8 1/2
65 1/2	58 1/2	Consols 2 1/2% '68-73...	65 1/2	65 1/2	2 2 5	3 17 3 1/2	103/9	85/7 1/2	17 1/2	17 1/2	37 1/2 a Debenhams 4/...		92/6	92/6	4 17 4 1/2
89 1/2	83 1/2	Br. Elec. 3% '68-73...	89 1/2	89 1/2	2 6 10	3 16 0 1/2	61/9	46/3	35 1/2	35 1/2	5 a Lyons (J.) "A" 1/...		66/6	66 6	4 2 8
88 1/2	82 1/2	Br. Elec. 3% '74-79...	88 1/2	88 1/2	2 5 9	3 15 2 1/2	63/6	44/3	65 1/2	65 1/2	20 a Marks & Spen. "A" 5/...		60/6	62 6	4 8 0
103 1/2	99 1/2	Br. Elec. 4 1/2% '74-79...	103 1/2	103 1/2	2 2 11	4 0 10 1/2	...	...	...	...	20 a Woolworth 5/...		...	...	...
94 1/2	88 1/2	Br. Elec. 3 1/2% '76-79...	94 1/2	94 1/2	2 4 10	3 17 8 1/2	...	...	...	...	OUT		...	...	...
86 1/2	76 1/2	Br. Trans. 3% '78-82...	86 1/2	86 1/2	2 5 5	3 16 0 1/2	58 1/2	40 11 1/2	30 1/2	30 1/2	5 a Anglo-Iranian 1/...		56 10 1/2	56 3	4 5 6
89 1/2	83 1/2	Br. Trans. 3% '68-73...	89 1/2	89 1/2	2 6 10	3 16 0 1/2	43 1/2	42 9 1/2	4 1/2	4 1/2	2 1/2 a Burmah Oil 1/...		43 1/2	43 1/2	4 9 0
101 1/2	95 1/2	Br. Trans. 4% '72-77...	101 1/2	101 1/2	2 3 7	3 19 3 1/2	93 1/2	75 7 1/2	5 1/2	5 1/2	12 b Royal Dutch 100 fl...		91 10 1/2	92/6	5 17 10
86 1/2	76 1/2	Br. Gas 3% '90-95...	86 1/2	86 1/2	2 3 5	3 13 5 1/2	34/5 1/2	23/6	5 1/2	5 1/2	10 1/2 b Shell Reg. 1/...		33/6	34/6	5 6 11 1/2
96 1/2	91 1/2	Br. Gas 3 1/2% '69-71...	96 1/2	96 1/2	2 3 10	3 16 6 1/2	...	...	...	...	15 1/2 b Trinidad L'holds 5/...		...	...	...
98 1/2	93 1/2	Br. Gas 4% '69-72...	98 1/2	98 1/2	2 3 9	4 0 1 1/2	44 1/2	34/6	13 1/2	13 1/2	SHIPPING		38/6	37/6	8 10 8
...	...	...	...	...	...	...	68 10 1/2	52/9	14 1/2	14 1/2	2 1/2 a Cunard 1/...		68/6	64/6	6 4 0
...	...	...	...	...	...	...	31/9	24/6	10 1/2	10 1/2	6 a P. & O. Def. 1/...		31/6	30/6	6 11 2 1/2
...	...	...	...	...	...	...	66 1/2	51 7 1/2	22 1/2	22 1/2	MISCELLANEOUS		65/6	63/9	4 14 1 1/2
...	...	...	...	...	...	...	45/9	27/6	15 1/2	15 1/2	5 a Assoc. Port. Cem. 1/...		45/6	43/6	6 17 11 1/2
...	...	...	...	...	...	...	43/10 1/2	35/6	8 1/2	8 1/2	15 a Bowater Paper 1/...		38/9	38/9	6 3 10 1/2
...	...	...	...	...	...	...	43/4 1/2	34/6	16 1/2	16 1/2	4 a Brit. Aluminium 1/...		42/3	42/6	4 13 10 1/2
...	...	...	...	...	...	...	46 1/2	40 1/2	3 1/2	3 1/2	6 1/2 a Brit. Amer. Tob. 10/...		44 1/2	44 1/2	6 10 9
...	...	...	...	...	...	...	6/10	5/6	11 1/2	11 1/2	3 a Canadian Pacific 1/...		6/7 1/2	6/7 1/2	6 12 11 1/2
...	...	...	...	...	...	...	34/10 1/2	17/9	150 1/2	150 1/2	6 1/2 a Carreras "B" 2/6...		33/6	34/6	4 8 3 1/2
...	...	...	...	...	...	...	55/9	42/9	17 1/2	17 1/2	10 a Decca Record 5/...		53/1 1/2	53/1 1/2	6 11 9
...	...	...	...	...	...	...	51/9	41/6	8 1/2	8 1/2	17 1/2 a Dunlop Rubber 1/...		51/6	50/9	5 10 4
...	...	...	...	...	...	...	60/3	50 1/2	11 1/2	11 1/2	6 a Imp. Chemical 1/...		59/6	59/6	6 15 7 1/2
...	...	...	...	...	...	...	34 1/2	30 1/2	22 1/2	22 1/2	8 1/2 a Imp. Tobacco 1/...		70/6	69/6	6 0 1
...	...	...	...	...	...	...	51/6	40 10 1/2	20 1/2	20 1/2	3 1/2 a Inter. Nickel n.p.v...		64/9	64/9	4 14 0 1/2
...	...	...	...	...	...	...	66/6	54/7 1/2	20 1/2	20 1/2	7 1/2 a London Brick 1/...		64/9	64/9	4 12 8 1/2
...	...	...	...	...	...	...	71/9	54/3	7 1/2	7 1/2	3 1/2 a Tate & Lyle 1/...		64/9	64/9	4 15 3
...	...	...	...	...	...	...	66/3	48/6	20 1/2	20 1/2	7 1/2 a Tube Investments 1/...		65/6	64/4 1/2	3 17 8 1/2
...	...	...	...	...	...	...	56 1/4	45 7 1/2	8 1/2	8 1/2	2 1/2 a Turner & Newall 1/...		55/6	55/6	4 16 5
...	...	...	...	...	...	...	...	...	...	...	TEA & RUBBER		...	...	...
...	...	...	...	...	...	...	6/4 1/2	4/6	8 1/2	8 1/2	7 1/2 a Allied Sumatra 1/...		5/3	5/9	26 13 9
...	...	...	...	...	...	...	19/3	14 7 1/2	7 1/2	7 1/2	4 a Jhanzie Tea 1/...		17/6	17/6	4 11 5 1/2
...	...	...	...	...	...	...	41/3	33/3	12 1/2	12 1/2	5 a United Sui Betong 1/...		36/3 1/2	38 1/4	9 3 7
...	...	...	...	...	...	...	6 1/2	5 1/2	40 1/2	40 1/2	MINES		...	...	...
...	...	...	...	...	...	...	45/3 1/2	37/3	60 1/2	60 1/2	20 a Anglo-Amer. 10/...		5 1/2	5 1/2	5 11 8
...	...	...	...	...	...	...	75/6	64/4 1/2	60 1/2	60 1/2	53 1/2 a Blyvoor 2/6...		37/9	38/6	7 9 2
...	...	...	...	...	...	...	21/6	15 1/2	120 1/2	120 1/2	60 a Daggafontein 5/...		71/3	73/9	8 2 9
...	...	...	...	...	...	...	75/6	55/9	80 1/2	80 1/2	80 a De Beers 5/ Bearer...		63/9	65/6	15 7 8
...	...	...	...	...	...	...	71/6	44 1/4	17 1/2	17 1/2	17 1/2 a Johannesburg Con. 1/...		48 10 1/2	46/6	7 10 6
...	...	...	...	...	...	...	...	...	50 1/2	50 1/2	175 b Rhokana 1/...		18/6	18 1/2	12 3 3

(a) To earliest date. (f) Flat yield. (b) To latest date. (g) Net yields are calculated after allowing for tax at 9s. 6d. in £. * Ex dividend. † Assumed average life 12 years approximately.

Prices, 1952		Prices, 1953 Jan. 1 to Nov. 18		TRUSTEE STOCKS AND FOREIGN BONDS	Price, Nov. 11, 1953	Price, Nov. 18, 1953	Yield, Nov. 18, 1953
High	Low	High	Low				
88 1/2	81 1/2	91 1/2	84 1/2	Aust. 3 1/2 % '65-69	91 1/2	91 1/2	3 18 5 1/2
92 1/2	86 1/2	95 1/2	91 1/2	N. Zealand 3 1/2 % '62-65	95 1/2	95 1/2	3 14 0 1/2
98 1/2	89 1/2	99 1/2	93 1/2	S. Africa 3 1/2 % '54-59	99 1/2	99 1/2	3 13 9 1/2
68 1/2	60 1/2	73 1/2	66 1/2	L.C.C. 3 % alt. 1920	72 1/2	73 1/2	4 2 2 1/2
91 1/2	84 1/2	95 1/2	90 1/2	Liverpool 3 % '54-64	95 1/2	95 1/2	3 10 0 1/2
91 1/2	85 1/2	93 1/2	88 1/2	P.L.A. 3 1/2 % '66-71	93 1/2	93 1/2	4 1 3 1/2
103 1/2	97 1/2	104 1/2	101 1/2	Agric. Mort. 5 % '59-89	102 1/2	102 1/2	4 12 3 1/2
68 1/2	61 1/2	77 1/2	66 1/2	Austria 4 1/2 % '54-59	77 1/2	77 1/2	4 7 8 1/2
13 1/2	5 1/2	21 1/2	8	Chinese 5 % 1913	13 1/2	13 1/2	NB
58 1/2	43 1/2	70 1/2	49 1/2	German 5 %	70 1/2	70 1/2	...
85 1/2	45 1/2	97 1/2	65 1/2	German 4 1/2 %	97 1/2	97 1/2	...
145 1/2	103 1/2	139 1/2	119 1/2	Japan 5 % 1907	135 1/2	137 1/2	...

Prices and Money Supply in Western Europe

	Austria	Belgium	Denmark	France	Germany, F.R.	Greece	Ireland	Italy	Netherlands	Norway	Sweden	Turkey
WHOLESALE PRICES ⁽¹⁾ (1948 = 100)												
1938	31	25	44	6	63	0.4	43	2	36	55	52	21
1951	223	121	147	155	159	149	123	103	143	143	140	103
1952	253	114	143	163	165	149	123	97	140	152	148	104
1953												
May	234	105	135	157	160	166	130	96	135	152	140	108
June	242	105	135	155	153	180	129	96	134	152	140	106
July	233	106	134	154	159	185	123	97	133	152	139	103
August	243	106	131	154	159	190	...	97	133	152	138	...
September	...	...	132	154	...	...	...	...	...	152	138	...
COST OF LIVING ⁽²⁾ (1948 = 100)												
1938	31	27	60	6	64	0.4	55	2	49	63	61	29
1951	185	105	113	130	103	139	110	110	130	122	120	103
1952	217	106	123	145	110	146	119	114	130	133	129	109
1953												
May	136	105	...	146	108	152	127	113	129	139	130	112
June	137	105	...	145	108	159	...	113	129	135	130	113
July	137	105	123	144	108	163	...	116	129	135	130	113
August	139	105	...	143	103	167	125	...	128	136	130	...
September	139	105	...	141	...	...	...	...	...	136	130	...
IMPORT PRICES ⁽³⁾ (1948 = 100)												
1938	...	27	40	7	39	...	39	1	24	32	45	21
1951	241	120	133	187	127	...	128	112	131	128	145	91
1952	250	116	130	182	121	...	129	109	131	132	152	91
1953												
April	246	110	...	...	107	...	124	104	117	119	...	84
May	238	114	119	164	108	...	125	103	117	133	...	88
June	244	107	...	...	105	...	122	101	119	124	...	91
July	280	110	...	...	106	...	123	105	116	119	...	92
August	276	...	...	...	104	...	...	101	...	125	...	...
EXPORT PRICES ⁽⁴⁾ (1948 = 100)												
1938	...	25	40	6	51	...	37	1	25	32	42	24
1951	233	120	109	145	122	...	123	110	115	138	155	128
1952	263	120	114	158	131	...	126	107	117	137	154	122
1953												
April	220	103	...	...	124	...	117	105	114	109	...	108
May	262	100	103	151	122	...	116	108	108	121	...	111
June	262	100	...	...	124	...	108	108	107	116	...	112
July	256	101	...	...	123	...	123	100	95	120	...	114
August	241	99	...	...	122	...	...	104	...	119	...	...
CURRENCY IN CIRCULATION ⁽⁵⁾												
End of period	'000 mn. schillings	'000 mn. francs	mn. kroner	'000 mn. francs	'000 mn. D. marks	'000 mn. drachmas	mn. £	'000 mn. lire	mn. guilders	mn. kroner	mn. kronor	mn. £T.
1938	...	23.6	425	112	...	...	18.2	19	1,048	455	1,040	213
1951	7.82	99.1	1,734	1,883	8.80	2,198	64.3	1,237	3,039	2,530	4,140	1,179
1952	8.79	102.1	1,889	2,124	10.22	2,476	69.9	1,343	3,171	2,787	4,620	1,280
1953												
May	8.67	101.9	1,772	2,101	10.50	2,353	67.9	1,237	3,174	2,664	4,300	1,282
June	8.91	102.6	1,778	2,142	10.67	2,328	67.4	1,222	3,168	2,755	4,380	1,282
July	9.27	105.1	1,761	2,179	10.88	2,536	67.3	1,260	3,209	2,824	4,140	1,325
August	9.41	104.8	1,729	...	...	2,769	67.9	1,261	3,228	2,825	4,400	1,413
September	...	...	...	...	...	...	68.4	...	...	...	...	1,458
GOLD AND FOREIGN EXCHANGE HOLDINGS ⁽⁶⁾ (mn. US dollars)												
1938	...	736	76.7	2,791	...	26.8	59	201	1,003	128.3	512	34
1951	...	1,054	118.2	800	503	3.8	206	1,045	544	149.9	395	217
1952	...	1,077	142.1	676	1,165	9.9	219	910	929	148.3	379	191
1953												
May	...	1,020	141.0	616	1,417	10.5	218	824	1,034	142.1	353	220
June	...	1,020	141.4	602	1,490	10.5	215	810	1,074	141.5	365	213
July	...	1,035	146.7	579	1,599	10.5	219	...	1,079	146.5	375	210
August	...	1,043	151.3	...	...	10.5	218	...	1,093	147.3	388	209
September	...	1,042	164.2	...	...	10.5	223	...	1,118	153.0	399	210

(1) Relates only to prices in capital cities for Austria, France, Greece and Turkey. Cost of living in Paris based on 1949=100, and in Western Germany on July-December, 1948=100. (2) Index numbers of unit value which compare the current value of trade with its value in 1948; they are influenced by changes in the composition of trade as well as price movements. Index numbers for Germany based on 1950. (3) Notes only for France and Austria. (4) Holdings of the government and central bank at end of period; figures for Greece are gold reserves only.

Financial Statistics

EXCHEQUER RETURNS

For the week ended November 14th there was an "above-line" deficit (after allowing for Sinking Funds) of £17,269,000 compared with a surplus of £14,890,000 in the previous week and a deficit of £10,208,000 in the corresponding period last year, bringing the cumulative deficit to £322,346,000 (£330,594 in 1952-53). Net expenditure "below-line" absorbed £736,000, bringing the total cumulative deficit to £598,530 (£673,834 in 1952-53).

£'000	Estimate, 1953-54	April 1, 1952 to Nov. 15, 1952	April 1, 1953 to Nov. 14, 1953	Week ended Nov. 15, 1952	Week ended Nov. 14, 1953
Ord. Revenue					
Income Tax	1782.250	560.725	537.319	6.770	13.939
Sur-tax	127.000	41.100	39.900	1.200	1.000
Death Duties	160.000	91.800	100.500	3.000	2.900
Stamps	52.000	30.950	33.800	1.000	1.400
Profits Tax & F.P.T.	214.000	257.100	129.300	19.100	4.200
Excess Profits Levy	99.500	...	42.450	...	1.100
Special Contribution and other Inland Revenue	1.000	1.060	570	...	...
Total Inland Rev.	2435.750	982.730	883.839	31.070	24.539
Customs	1044.300	652.841	668.399	23.175	22.206
Excise	680.480	474.983	469.673	18.670	16.960
Total Customs and Excise	1724.780	1127.824	1138.072	41.846	39.166
Motor Duties	69.000	15.440	17.605	...	250
P.O. (net receipts)	2.685	...	3.100	...	3.100
Broadcast Licences	16.000	6.650	7.550	...	...
Sundry Loans	25.000	19.378	19.878	...	...
Miscellaneous	95.000	74.071	84.509	312	620
Total	4368.215	2226.092	2154.553	73.228	67.675
Ord. Expenditure					
Int. Interest	615.000	364.344	371.479	14.950	21.299
Payments to N. Ireland Exchequer	48.000	23.468	28.296	...	...
Other Cons. Fund	10.000	5.576	5.368	117	14
Supply Services	3586.286	2142.827	2050.611	67,700	62,800
Total	4259.286	2536.216	2455.753	82,767	84,114
Sinking Funds	...	20,470	21,146	670	830
"Above-line" Surplus or Deficit	330,594	-322,346	10208	-17269	
Below-line Net Expenditure	...	343,240	276,194	1925	736
Total Surplus or Deficit	673,834	598,530	8283	18005	
Net Receipts from:					
Tax Reserve Certificates	95,228	179,726	7,986	688	
Savings Certificates	1,800	10,450	600	100	
Defence Bonds	37,678	32,672	649	260	

FLOATING DEBT

(£ million)					
Date	Treasury Bills		Ways and Means Advances		Total Floating Debt
	Tender	Tap	Public Depts.	Bank of England	
1952					
Nov. 15.....	4,456.1		238.9	1.5	4,696.5
1953					
Aug. 15.....	3,310.0	1,414.8	225.4	...	4,950.2
" 22.....	3,330.0	1,422.7	241.8	...	4,991.5
" 29.....	3,350.0	1,407.6	229.3	...	4,987.0
Sept. 5.....	3,370.0	1,414.0	219.2	...	5,003.2
" 12.....	3,400.0	1,395.8	251.7	...	5,047.5
" 19.....	3,430.0	1,382.1	280.0	...	5,092.2
" 30.....	4,803.1		273.4	...	5,076.5
Oct. 10.....	4,525.8		245.9	...	4,771.7
" 17.....	4,552.2		262.2	...	4,814.3
" 24.....	4,550.4		264.1	...	4,814.5
" 31.....	4,538.1		254.9	1.3	4,794.3
Nov. 7.....	4,535.2		250.0	...	4,785.2
" 14.....	4,591.7		253.9	...	4,845.5

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

THE MONEY MARKET

LOMBARD Street has had a comfortable week. Only on Thursday before the week-end was there any shortage of funds, and the authorities promptly relieved this by moderate special purchases of bills both from the market and the banks. In the rest of the week covered by the latest Bank return large governmental disbursements, including the repayment on Saturday of about £40 million on the unconverted portion of the maturing Serial Funding Stock, made credit abundant—so much so that the authorities indulged in "reverse selling" of oils on Friday and Saturday before the week-end, and again on Wednesday of this week.

At last week's tender for Treasury bills, the market maintained its bid at £99 9s. 6d. per cent for the fifth week in succession; but as applications for the increased offer of £230 million of bills fell by nearly £20 million, to £372.9 million, the market's allotment rose from 34 to 46 per cent of its bid, and the average rate of discount rose by over 1/4d. to £2 1s. 11.48d. per cent.

The Bank return shows only a fractional outflow of notes into active circulation, but the outflow in the two previous weeks had been considerably larger than is normal so early in the Christmas season. Government securities in the banking department rose by £2.2 million, but this was more than accounted for by an intake of securities to match an increase of £5.6 million in the Treasury special account. As "other securities" rose by £2.3 million and "other accounts" fell by £4.4 million, bankers' deposits rose by £2.1 million, to £288.8 million.

LONDON MONEY RATES

Bank rate (from 4% 17/9/53)	%	Discount rates	%
Bank rate	4	Bank bills: 60 days	2 1/2
Deposit rates (max)	1 1/2	3 months	2 1/2
Banks	1 1/2	4 months	2 1/2
Discount houses	1 1/2	6 months	2 1/2
Money—Day-to-day			
Short periods	1 1/2-2 1/2	Fine trade bills	
Treas. bills 2 months	2 1/2	3 months	5 1/4
3 months	2 1/2	4 months	5 1/4
		6 months	4 1/4

BANK OF ENGLAND RETURNS

(£ million)			
	1952	1953	
	Nov. 19	Nov. 11	Nov. 18
<i>Issue Department*</i>			
Notes in circulation.....	1,455.5	1,544.9	1,545.5
Notes in banking dept.....	44.9	30.4	29.8
Govt. debt and securities*	1,496.7	1,571.7	1,571.7
Other securities.....	0.8	0.8	0.8
Gold coin and bullion....	2.9	2.9	2.9
<i>Banking Department</i>			
Deposits:			
Public accounts.....	13.2	13.9	14.6
Treasury special account..	26.6	5.9	11.5
Bankers.....	280.0	286.7	288.8
Others.....	71.7	74.7	70.3
Total.....	391.5	381.2	385.2
Securities:			
Government.....	332.5	339.3	341.5
Discounts and advances..	12.5	8.5	10.1
Other.....	18.4	18.5	19.2
Total.....	363.0	366.3	370.8
Banking department reserve.	46.5	32.9	32.3
	0.1	0.1	0.1
"Proportion".....	11.8	8.6	8.3

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More houses are going up. More purchasers are asking building societies for advances to pay for them.

So far in 1953 this Society has agreed to lend over £5,000,000 for the purchase of more than 3,000 houses newly built or in course of erection.

Money saved and invested with the Society is thus being used to good purpose.

Still more savings can be used. The interest offered is 2½% with income tax paid by the Society—equal to more than 4½% where the investor is liable for tax at the full standard rate.

If you would like particulars please write to the

CO-OPERATIVE PERMANENT BUILDING SOCIETY

NEW OXFORD HOUSE
LONDON, W.C.1.

Telephone: HOLborn 2307

City Office:

163, MOORGATE E.C.2

Telephone: MONarch 3556

ASSETS £80,000,000

75 BRANCHES



ALLIANCE ASSURANCE COMPANY LIMITED

Head Office:

BARTHOLOMEW LANE, LONDON, E.C.2

Established 1824

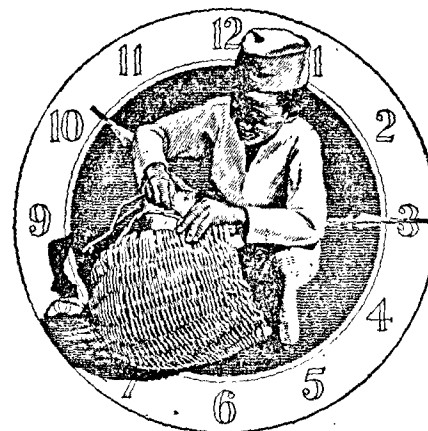
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All Classes of Insurance

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THE UNITED KINGDOM
THE BRITISH COMMONWEALTH AND
ELSEWHERE ABROAD

*The Company undertakes the duties of
Executor and Trustee*



Time for Eastern trade

Ten-fifteen in Singapore and the city office of the Chartered Bank is already a hive of business activity. The Bank's branches in Japan began work an hour and a half ago but seven hours must elapse before the London, Manchester and Liverpool offices will be open for business; but wherever merchants and manufacturers are engaged in the Eastern trade the services of the Bank will be available to them at one point or another of its far flung branch system.

THE CHARTERED BANK OF INDIA, AUSTRALIA AND CHINA

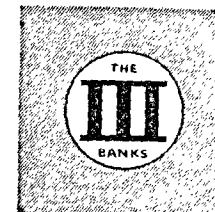
(Incorporated by Royal Charter, 1853)

Head Office: 38 Bishopsgate, London, E.C.2.
West End (London) Branch: 28 Charles II Street, London, S.W.1.
Manchester Branch: 52 Mosley Street, Manchester, 2.
Liverpool Branch: 28 Derby House, Liverpool, 2.
New York Agency: 65 Broadway, New York, 6.

Branches of the Bank, under British management directed from London, are established at most centres of commercial importance throughout Southern and South-Eastern Asia and the Far East.

THE THREE BANKS GROUP

Total resources over £350,000,000



ROYAL BANK OF SCOTLAND

Founded 1727 Edinburgh, London & Branches

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WILLIAMS DEACON'S BANK LTD.

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You are invited to contact the London Office
or the Head Office.

BANK OF NEW ZEALAND

(Incorporated with limited liability in New Zealand)

London Office:
1, Queen Victoria Street,
E.C.4.

Head Office:
Wellington,
New Zealand.

Branches also in

Melbourne and Sydney (Australia); Suva, Lautoka
and Labasa (Fiji); Apia (Samoa).

Abridged Prospectus.

Consent of Her Majesty's Treasury has been obtained to this issue in compliance with the Order made under Section 1 of the Borrowing (Control and Guarantees) Act, 1946.

GOVERNMENT OF THE COMMONWEALTH OF AUSTRALIA CONVERSION LOAN

Offer of Conversion to Holders of

£10,796,065 Commonwealth of Australia
3½ per Cent. Registered Stock, 1951-1954,
into

GOVERNMENT OF THE COMMONWEALTH OF AUSTRALIA 4 PER CENT. REGISTERED STOCK, 1966-1968,

at the rate of £99 : 10s. per cent.

Interest payable 1st February and 1st August.

Six months' Interest will be paid on 1st August, 1954.

The Government of the Commonwealth of Australia will comply with the requirements of the Colonial Stock Act, 1900, in order that Trustees may invest in the Stock, subject to the provisions set forth in the Trusts Act, 1925.

Commonwealth Bank of Australia is authorised by the Government of the Commonwealth of Australia to offer to holders of £10,796,065 Commonwealth of Australia 3½ per cent. Registered Stock, 1951-1954, maturing 1st February, 1954, Conversion of their holdings, in whole or in part, into an equal nominal amount of Government of the Commonwealth of Australia 4 per cent. Registered Stock, 1966-1968, on the terms set forth in the full prospectus.

Principal of the new Loan will be repaid in London at par on 1st February, 1968, the Government of the Commonwealth of Australia having the option to redeem the Stock at par, in whole or in part, on or after 1st February, 1966, on giving three months' notice by public advertisement.

Holders who convert will receive on 1st February, 1954, a cash payment of 10s. per cent. representing the difference between the issue price of the new Stock and the redemption price of the old Loan. They will also receive the usual six months' interest payable on that date.

Six months' interest on the new Stock will be paid on 1st August, 1954.

Holders accepting the offer of conversion must lodge their acceptances on the appropriate forms accompanied by the relative Stock Certificates, at COMMONWEALTH BANK OF AUSTRALIA, Stock Department, 8, Old Jewry, London, E.C.2. These forms have been posted to the Stockholders or, in the case of joint accounts, to the Stockholder first named in such accounts.

Any Commonwealth of Australia 3½ per cent. Registered Stock, 1951-1954, not converted will be paid off at par on 1st February, 1954, together with the six months' interest then due.

The Stock now offered will be registered and transferable in any amount by deed, at COMMONWEALTH BANK OF AUSTRALIA, Stock Department, 8, Old Jewry, London, E.C.2. Stamp duty on all transfers will be paid by the Government of the Commonwealth of Australia.

Commonwealth of Australia Stocks issued and payable in London and the interest thereon, the property of persons not domiciled in Australia, are not, and will not be, subject to any taxes, duties or levies in Australia.

All Commonwealth Loans, all Loans issued by the several States and now taken over by the Commonwealth and all Loans guaranteed by the Commonwealth, carry a Sinking Fund in accordance with the provisions of the National Debt Sinking Fund Act, 1923-1934, and the Financial Agreement Acts.

The revenues of the Commonwealth of Australia alone are liable in respect of this Stock and the Interest thereon, and the Consolidated Fund of the United Kingdom and the Commissioners of Her Majesty's Treasury are not directly or indirectly liable or responsible for the payment of the Stock or of the Interest thereon, or for any matter relating thereto. —40 and 41 Vict., cap. 59, sec. 19.

A commission of 5s. per £100 Stock will be paid to Bankers and Stock-brokers on allotments made in respect of conversion acceptances bearing their stamp.

Full Prospectuses, with Statistical Statement relating to the Commonwealth of Australia, may be obtained from Commonwealth Bank of Australia, Stock Department, 8, Old Jewry, London, E.C.2; from Messrs. R. Nivison & Co., 25, Austin Friars, London, E.C.2; and at the Offices of the Government of the Commonwealth of Australia, Australia House, Strand, London, W.C.2.

Commonwealth Bank of Australia,

8, OLD JEWRY, LONDON, E.C.2.

16th November, 1953.

The List for Conversions will be closed at 3 p.m. on Wednesday, 25th November, 1953.

COMPANY MEETINGS

THOS. W. WARD, LIMITED

75 YEARS' PROGRESS MARKED BY £33 MILLION RECORD TURNOVER

MR GEORGE WOOD ON TRENDS AND PROSPECTS

The Fiftieth Ordinary General Meeting of Thos. W. Ward, Limited, was held on November 20th at Sheffield. Mr George Wood, CBE (chairman of the company), presided, and in the course of his report said:

This great and unforgettable Coronation Year of 1953 also marks two notable events in the history of the business and your company, namely, the seventy-fifth anniversary of the founding of the business by Thomas William Ward in 1878 and the holding of the fiftieth annual general meeting of the company. I feel it indeed to be a year of three-fold celebration.

Space does not permit, neither does the occasion call for, personal and nostalgic recollections of the intervening years; but I, together with the president, the deputy-chairman and other colleagues on the board, have lived intimately with the affairs of your company throughout the past fifty years; we have seen it through times of prosperity and adversity, have experienced great worries and great happiness, and at times results from strenuous endeavours and hard work have appeared to follow very slowly indeed. You will therefore appreciate how proud and honoured I feel to be the chairman of your company in this anniversary celebration year, and to have the pleasant duty of bringing before you such a record of achievement.

In so doing I would like to pay my tribute to our founder and first chairman, Thomas William Ward, who by his courage and sagacity laid the foundations of the Ward Group of Companies in those far-off days in 1878—when Disraeli was Prime Minister, income tax was threepence in the £ and the national annual output of steel was approximately two million tons compared with the output of the present day of 18 million tons per annum.

I would also like to acknowledge the work of Mr Joseph Ward who succeeded his brother and was chairman until 1941, and particularly my immediate predecessor Mr Ashley Ward under whose wise and skilful guidance as chairman from 1941 to 1950 the group expanded and consolidated its position.

Your board feels that such a year of three-fold celebration should be marked by a special bonus to the members of the company together with some suitable gift to the employees, and I will refer more fully to our proposals in this respect at a later stage in my review.

GROUP PROFITS

Last year I drew attention to the similarity of the results with those shown for 1951 and I am again pleased to comment on the relative stability of the results for 1953 compared with the two preceding years, particularly so as during the year under review there has been a noticeable swing in certain directions towards more normal and competitive market conditions with a consequent reduction in profit margins; a factor which I forecast in my review last year.

The profits before taxation after crediting exceptional income of £148,771 are £1,974,210 comparing with £1,882,035 in 1952 and £1,886,950 in 1951. The charge for United Kingdom and Foreign Taxation requires £1,027,342, leaving profits after

taxation of £946,868 and after adjusting for the amounts already dealt with by subsidiaries in their own accounts, we are left with a net profit available for allocation and appropriation in the accounts of the parent company of £590,835 compared with £574,955, an increase of £15,880.

I will deal with the various factors that have influenced the year's results in my analysis of the trading aspects and experiences during the year.

It is no doubt a trite saying that "records are made to be broken," but it is very gratifying to report that, despite more competitive trading conditions, we have achieved the new record turnover figure of £33 million, which exceeds by £4 million last year's record of £29 million. Of this total turnover the parent company's figure of £22½ million shows an increase of £3 million, and the combined turnover of subsidiary companies of £10½ million shows an increase of £1 million compared with the previous year. The turnover for the current three months subsequent to the date of these accounts is rather less than for the corresponding period last year.

EMPLOYEES

Mr C. F. Bishop, who has been with the company for fifty-seven years, of which he has been a member of the board for seventeen years, decided for health reasons to retire from the board at June 30, 1953. He is, however, remaining with us in an advisory capacity, and we all hope he will benefit from the lessening of his duties and completely recover in health.

In each succeeding year it is my pleasure to tender sincere thanks to all employees in our group of companies for their good work, and I am especially pleased in this anniversary year to congratulate them on the way they have again played their part. In the parent company alone we have twenty employees, including directors, who have completed fifty years or more service, and 325 employees, including directors, with at least twenty-five years' service. There is an old Chinese proverb which I feel is apposite to the effect that "if you are planning for one year, plant grain, if you are planning for ten years, plant trees, but if you are planning for 100 years, plant men." The strength of the present-day position of your group has been largely attained by the policy of attracting and retaining the right type of men and the maintenance and consolidation of this position in the future years depends upon the continuance of such a policy.

TRADING ASPECTS

As I stated above, the parent company's turnover has again shown a satisfactory increase and our principal trading departments with slight exceptions have had a good year although they have felt increasingly the weight of competition and have experienced some contraction in profits. Those sections of the business concerned with the collection and supply of scrap iron and steel and related raw materials have again handled large tonnages. This follows the normal anticipated pattern, for over the past 75 years these important sections of the business have been carefully developed and expanded so that today they are unrivalled in the vital

services they perform in supplying one of the nation's most important basic industries. For those lacking practical acquaintance with an organisation performing such a service I would mention that the recovery and supply of scrap metals on the vast scale of your company's operations is a highly specialised business calling for wide expert knowledge both of materials and markets and of consumers' specialised needs. It requires a network of branch works and shipbreaking yards conveniently sited and adequately equipped with efficient machinery for the stocking, handling, processing and manipulation of the various metals.

As the largest suppliers of scrap iron and steel to the consuming industries we are proud of the fact that during the past year we have again played so vital a part in the recovery and supply of substantial quantities. I mentioned a year ago that quantities available were at that time considerably below requirements but during the present year supplies have improved considerably. Pig iron deliveries have also improved, so that the steelworks are in the happier position of having sufficient raw materials to meet their immediate requirements and even to put a little into stock. Normal home supplies of scrap need to be implemented from outside sources and shipbreaking has contributed in some measure to this need. As anticipated, the output of new ships from the shipbuilding yards has released a number of old and obsolete ships for demolition, and consequently there has been a fairly regular flow of vessels into our shipbreaking yards, with the result that this section has had a satisfactory year.

The strategic value of scrap is such, however, that the steelworks must build up still larger reserves. We cannot, therefore, relax our drive, but must vigorously pursue our efforts for the full recovery of this important material.

I have given precedence in these remarks to the operations of those sections of the business concerned with the recovery and supply of scrap metals because steel is so vital to the prosperity of this country and in recognition of the fact that it was one of the principal activities on which the business was originally founded. This does not indicate, however, that the other sections of the business are considered of secondary importance. On the contrary, they supply a large proportion of the turnover, and we look to them to contribute on a considerable scale to the common pool of profit.

These sections supply a wide range of goods and services to industry, and include sizeable manufacturing and engineering interests. Although the manufacturing interests of the group are mainly carried on by subsidiary companies, there is an appreciable element of manufacturing directly performed by the parent company, such as the construction of railway sidings, the fabrication and erection of structural steelwork, the production of bolts and nuts and light forgings, machine tools and other similar equipment. In our modern and well-equipped engineering shops we also undertake the reconditioning and repair of all types of heavy and light machinery and plant for industrial and contracting purposes.

It is paradoxical that the improvement in

SAFETY-FIRST INVESTMENT

2½% per annum

Income Tax paid by the Society

Equal to **£4.10.10 per cent to investors** subject to income tax at the standard rate

The current rate of interest on share accounts is 2½%, and on ordinary deposit accounts 2%, with income tax paid by the Society in each case. Sums up to a total holding of £5,000 are accepted for investment in Abbey National. For further particulars apply for a copy of the Society's Investment Booklet.

Total Assets **£133,974,000**

ABBAY NATIONAL BUILDING SOCIETY

HEAD OFFICE: ABBAY HOUSE, BAKER STREET, LONDON, N.W.1
For address of Local Office see Telephone Directory



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FAMILY MAN. Under forty-five. Comfortably off. Very little life assurance. Seems to be spending most of his income. Neighbour's serious illness last year made him concerned about his own future. Wants good provision for family. Also needs capital when he retires.

The Prudential Heritage Endowment is a life assurance plan just suited to his needs.



steel deliveries should have introduced somewhat more difficult trading conditions into certain of our engineering sections, but the better steel position has generally enabled the back-log of orders in the engineering trade to be reduced and delivery dates are now better than at any time since the war. Furthermore some of the large capital development schemes of the postwar years are nearing completion, so that general trade is reverting more to normality and business is becoming highly competitive. This evidences the return to a more stable economy and should be regarded as beneficial to the general conduct of industry. Competition creates lower margins but ultimately expands trade and efficiency. The process of transition, however, creates special problems for management, and I cannot over-emphasise the initiative and tenacity shown by all departmental controllers in dealing with the changing situation. We can only keep in the forefront of the business in which we are engaged through the medium of an efficient service backed by the full resources of our large scale organisation.

I commented last year on the unsatisfactory position of the contract as it then stood with the Saudi Arabian Government for the building of a road from Jeddah to Medina and promised that everything would be done to finalise our obligations at the earliest possible moment. I am pleased to inform you that negotiations have enabled us to reach a settlement with the Saudi Arabian Government. Our obligations with the exception of matters of a minor nature, are therefore at an end, the plant and equipment has been disposed of and the further loss incurred since the last financial year has been written off in the accounts under review.

SUBSIDIARY COMPANIES

The combined trading results of our subsidiaries again show an increase of some £125,000 compared with the previous year. A magnificent achievement. These companies carry names which have become synonymous with outstanding workmanship, quality and service in the particular spheres in which they are engaged. Although younger in the time of their association with the Ward group in certain cases they can claim even a longer separate existence than the parent company.

It is my usual practice to refrain from singling out individuals for commendation for the very good reason that it would be impracticable in the short space of this review to bring to your notice by name all those directors and officials who so worthily contribute their all out efforts, year in and year out towards the success of the group. I feel, however, that I may be allowed to relax this practice for once on such a notable occasion in the company's history and I would like to pay tribute to certain of my colleagues who carry between them the responsibilities of chairmanship of several of the major subsidiary companies in addition to their responsibilities with the parent company. I would mention our deputy chairman, Mr F. R. Stagg under whose guidance the fortunes of several of our largest subsidiaries have prospered so well and in so doing I would like to congratulate the Ketton Portland Cement Company, Limited, of which he is Chairman, in the celebration of its 25th anniversary. Long may it continue to prosper. In addition I would like to acknowledge the leadership of our joint managing directors, Mr Harold W. Secker and Mr Joseph Walton who so ably fulfil the role of Chairman to several other of our important subsidiaries.

In making such acknowledgements I would like it to be felt that my remarks include all those directors of the Parent Company who are also engaged on the boards of subsidiary companies, together with the resident directors and officials of

the companies concerned and I would like to thank them for the loyalty and whole hearted support which they give to their respective Chairmen.

OVERSEAS TRADE

We have several subsidiary companies registered in other countries: France, Sweden, Belgium, India and Australia, whilst the parent company also has an important overseas trade department. There are many difficulties in export business, not least the restrictions on import licences in some of the most important markets, but the main difficulty is still a financial one, viz.: the inability of many countries to find the necessary currency to pay for the goods required. Owing to its financial strength your company is in a stronger position than some others to meet this difficulty but at the same time we find it necessary to act with very great care. Export trade is vital to this country and we are exploring all avenues to promote and foster such trade through our group but great obstacles will remain until a more balanced state of international finance is reached. I am pleased to record, however, that the French Company had a turnover of approximately £1 million which, despite the fact that profit margins are relatively small, can be considered very satisfactory. I am also very satisfied with the manner in which we are gradually but firmly consolidating our position in the Scandinavian countries through the efficient organisation of the Swedish Company. Our newly acquired Australian Company has suffered materially from the effect of the import and credit restrictions but we consider this recession to be only of a relatively temporary nature. As evidence of our confidence in the potentialities of the Australian Company we acquired in June last an old-established business of general engineers, specialising in boilers, tanks, steam raising equipment, etc. This acquisition has been merged in our existing Australian Company.

PENSION SCHEME

The first five years following the inception of the Pension Scheme ended on October 15, 1953, and the actuaries will shortly be making their quinquennial revaluation so I think it is opportune to give you a short review of the scheme's scope and progress. It covers the whole of the permanent male staff employees over 21 years of age who contribute on the basis of 5 per cent of salary with a like contribution from the company. The pensionable age is 65 when the employee qualifies for a pension for life on retirement with a minimum period of five years or the right to opt for a lesser pension and widow's annuity. The amount of pension is calculated on the number of years pensionable service with a maximum pension of one half the average salary during the five years immediately preceding retirement. These benefits are flanked by a non-contributory group life insurance scheme under which dependents of the members of the pension scheme receive a lump sum payment if the member dies before pensionable age. The scheme is working remarkably well, the funds have been well invested and the accumulated fund at the present time is £600,000. We know that all employees are very appreciative of the benefits which it provides and we regard it with justifiable pride.

REVIEW OF THE BALANCE SHEET POSITION

From the consolidated balance sheet it will be seen that the total of share capital and reserves relating to your company's interests is £6,607,895, showing an increase of £622,006 compared with the position a year ago. The main movements reflected by

this cover increases in the Excess of Current Assets over Current Liabilities of £694,915 and £69,457 in Fixed Assets; against which future income tax shows an increase of £64,959 and interests of minority shareholders £77,772. The liquid resources of the group are adequate and show the satisfactory position of Current Liabilities being slightly more than doubly covered by Current Assets.

The balance sheet of the Parent Company shows a similar satisfactory position and although bank balances show a reduction mainly because of the considerable increase in debtors, the cash balances and short term loans totalling £462,604 are ample for requirements.

Although some small relief from income tax was given in the last budget and the unfortunate excess profits levy will terminate on December 31st next, the burden of taxation on industry is still far too heavy. By reason of the good standards of profit we had established in 1947 and 1948 we have fortunately escaped the inroads of the excess profits levy, but you will see from the group accounts that no less a sum than £1,023,933 has had to be provided out of profits to meet the demands of income tax and profits tax. In particular I feel that it would be a step in the right direction if wear and tear rates were increased and brought into line with general industrial experience of depreciation. More encouragement should be given to manufacturers to modernise both buildings and equipment and if we are to meet the highly competitive conditions of world trade we shall have to have a more enlightened fiscal system.

APPROPRIATION OF PROFITS

Before dealing with the profit available as shown earlier in this report, I would like to comment on the fact that we have set aside the amount of £25,000 for distribution amongst employees to mark the anniversary celebrations. This is in addition to the normal bonus which employees receive based on the results of the year's working, but we know that this step will fully accord with the wishes of the shareholders. From the profit available for allocation and appropriation of £590,835 we have decided to transfer £150,000 to the reserve for replacement of fixed assets. With the ever increasing costs of replacements we consider this a prudent course to follow. This leaves a balance on the year of £440,835 added to which we have the balance brought forward from last year of £497,727, giving a total of £938,562. Dividends already paid on preference and employees shares together with an interim dividend of 5 per cent per annum on the ordinary shares total £71,731.

Your board recommend the payment of a final dividend on the ordinary shares of 15 per cent less tax, making a total of 20 per cent less tax for the year, and with the participating rights on employees shares this will require £95,141. In addition to mark this special year in the company's history it is recommended that a bonus of 2½ per cent not subject to income tax be paid out of capital profits.

We propose a transfer to general reserve of £300,000 bringing the total of that reserve up to £1,700,000 which will leave the carry forward on profit and loss account of £471,690 compared with £497,727 brought in.

An analysis of results shows that after meeting all charges including taxation the net profit available is only equivalent to 2½ per cent of the turnover. Your board is conscious of the fact that the more highly competitive trading conditions which are developing will probably result in a reduction of the already small profit margins on which we have been operating, and consider that the recommendations made are most likely to promote and consolidate the interests of the

shareholders and the future business of the company.

FUTURE PROSPECTS

I cannot forecast that group profits will be maintained at the high levels ruling over the past three years, indeed the indications from our normal everyday business are that there will be some falling away from such exceptional levels, but one can never forecast the opportunities for special transactions which may arise and for which your company is so well organised and equipped to turn to advantage.

In general terms a reduction in profits is referred to as a recession but I prefer to regard the phase on which we are now entering as a period of adjustment. In my concluding remarks last year I urged the need for a restoration of stability of value to our currency and I consider that the steps taken so far by the Government are gradually promoting that stability and confidence. The process of adjustment to more normal and healthier trading conditions may result in reduced profit margins but I am confident that they will be representative of greater value.

I can say that we face the future with confidence but there is an urgent and increasing need for higher productivity if we are to meet the keen competition of other nations. I support the warning given by other industrial leaders—if we are to improve or even maintain our standard of living we must make an all out effort for greater production.

Finally, may I express a personal hope for the future. The next landmark in the history of this business will be the celebration of its centenary in 25 years' time. May it then be in an even stronger position than it is today with its personal ties and traditions unbroken, and providing then the means of livelihood to many thousands of people under peaceful and prosperous conditions.

The report and accounts were adopted and the dividends recommended declared. The retiring directors were re-elected and auditors reappointed.

WANKIE COLLIERY COMPANY

MR T. COULTER'S STATEMENT

The thirtieth annual general meeting of shareholders in Wankie Colliery Company, Limited, will be held in Bulawayo on Monday, December 14th.

The following are extracts from a statement by the chairman, Mr T. Coulter, dated October 23, 1953, circulated with the annual report and accounts for the year ended August 31, 1953:

MANAGEMENT.—Since the annual general meeting last December, important changes have taken place in the management of the company. Last April the Anglo-American Corporation of South Africa, Limited, Group acquired a substantial interest in the company, and the board of directors was reconstituted. Anglo-American Corporation of South Africa, Limited, were appointed consulting engineers to the company, and the technical control of the colliery is now under the direction of the coal department of that corporation.

ACCOUNTS

Profits earned during the year ended August 31, 1953, amounted to £465,016, compared with £245,198 earned in the previous year.

Provision for taxation absorbed £125,000, leaving a balance of £340,016, which amount, together with the balance of unappropriated profits at August 31, 1952, made available for appropriation a total amount of £560,098.

Dividends Nos. 58 and 59, each of 5 per cent, amounted to £330,938, and a sum of £100,000 was transferred to general reserve.

Certain preliminary expenses incurred in connection with the increase in capital totalling £13,115 were written off, and the balance of unappropriated profits, amounting to £116,045, was carried to the balance sheet.

Capital expenditure on fixed assets during the year, less sales, amounted to £1,265,384, and after making allowance for amortisation of coal mining rights and depreciation, the balance sheet shows fixed assets at August 31, 1953, at £4,988,969.

Current assets at £1,039,151, as against current liabilities of £1,659,996, indicated a shortfall of £620,845. This shortfall was due to the heavy capital expenditure to which I have referred, and was financed by temporary overdraft facilities which have since been liquidated from the proceeds of the recent new issue.

SALES

The following is a summary of sales of coal and coke over the years ended August 31, 1951 to 1953, inclusive:

	1951	1952	1953
Coal	2,283,949	2,543,978	2,781,023
Coke	101,622	113,371	147,751
Coke breeze	8,238	10,062	11,070

Plans have been made to bring about a substantial increase in productive capacity, and it is expected that there will be a progressive improvement commencing from about April, 1954.

FUTURE MINING POLICY

Careful studies of the future demands for coal in the Federated Territories have indicated that the company would have to provide for an increase in output to a figure of 5 million tons per year by the end of 1956.

The consulting engineers have recommended, and your board have adopted a mining policy which comprises briefly:

(1) The introduction of machine mining at Nos. 1 and 2 Collieries as soon as possible and the adoption of a production technique similar to that used in most of the Transvaal collieries.

(2) The opening and equipping of No. 3 Colliery, situated about six miles from No. 1 Colliery, for the production of about 2,250,000 sales tons of coal per annum.

(3) The completion of a large variety of capital items on the surface, all of which are necessary adjuncts to the programme of expansion.

Work on the opening and equipping of No. 3 Colliery has already commenced, and good progress has been made in providing the essential preliminary services, such as electric power supplies, branch railway connection, water supplies and roads.

The incline belt conveyor shaft, through which coal will be brought to the surface at No. 3 Colliery, is expected to reach the coal seam before the end of the present year, and production of development coal should commence on a small scale early in 1954.

The expansion programme, with all its ancillary requirements, is estimated by the consulting engineers to cost approximately £5,300,000, distributed over the next three years.

EASTWOODS LIMITED

STEADY PROGRESS MAINTAINED

The thirty-third annual general meeting of Eastwoods Limited was held in London on November 19th.

Mr G. W. A. Miller, FCIS, chairman and managing director, in the course of his speech said: The consolidated balance sheet shows that fixed assets increased from £1,975,000 to £2,244,000 after full provision for depreciation and amortisation. Actually the increase amounted to £473,000, which exceeds the expenditure of any earlier year on capital development. In addition, you will see there are forward capital commitments estimated at £525,000.

Current assets are down from £1,877,000 to £1,819,000, mainly due to a considerable reduction in paper sack stocks carried at the Cement Works, and the tremendous demand for our bricks and cement is reflected in the lower figure of manufactured goods on hand. Total assets amounting to £4,063,000 are higher by £211,000.

On the liabilities side, last year's taxes and similar essential provisions this year exceed £460,000. The very large increase in the amount for taxation charged in the consolidated profit and loss account strikes heavily into what the accountants call "net availability," but Excess Profits Levy is, of course, effective for only part of the current financial year, after which it goes altogether. In industry we are unanimous that this was a thoroughly bad tax, which we are glad to be rid of.

Even after these heavy appropriations we bring down an available total of £315,000, compared with £261,000, which enables us to transfer £50,000 to general reserve as before and to increase the final dividend to 12½ per cent on the ordinary stock, making a total of 17½ per cent, and thus also to increase the amount carried forward from £127,000 to £163,000.

TOWN PLANNING

I have told you in the past how necessary it is for mineral extractive industries to be backed by adequate reserves of raw materials.

With the deepest sense of sincerity and responsibility, I repeat that unless we can engender a more realistic approach to mineral planning, certain sections of our industries are in danger of being plotted for extinction.

At Eastwoods we have had faith to resuscitate this industry in an atmosphere of obstruction and uncertainty which has to be experienced to be believed.

Throughout the building industry as a whole, the steady progress forecast last year has been maintained, and there is every reason to think it will be continued during 1954.

Our production is on an all out basis. New tools, new plants, new properties will take a little time before we can get more output than we are already giving. I can only say without doubt that the works and all those things which go to the equipping of a group of this size, are in better shape than ever before. The energy and zeal displayed by all our workpeople and staffs has been engendered by the loyalty and unswerving co-operation afforded to me by my colleagues and by all the members of the team.

The resolution approving the report and accounts was carried unanimously.

At a subsequent extraordinary general meeting resolutions were passed to increase the ordinary share capital and to apply £500,000 of the share premium account in payment of unissued ordinary shares, such shares to be allotted to ordinary stockholders in the proportion of one £1 bonus share for every £2 stock already held.

TUBE INVESTMENTS LIMITED

GROWING OPERATIONAL STRENGTH

A RETURN TO REALISTIC PROFITS AND PRICES

MR IVAN STEDEFORD ON COMMONWEALTH'S ECONOMIC FUTURE

A return to realistic prices and profits, and further increases in the company's operational strength, were reported by Mr Ivan Stedeford, chairman of Tube Investments Limited, in his annual statement circulated with the accounts to shareholders. The annual meeting will be held in Birmingham on December 9th.

Mr Stedeford said that his warning a year ago, that prices and profits were likely to undergo a severe shake-up before industry became conditioned to a world buyers' market, had been borne out by events, and during the year under review both had returned to a more realistic environment. Profits totalled £6,199,131 compared with £9,291,834 in the previous year. This last figure included £1 million exceptional profits from an appreciation in the value of steel stocks. If this sum and income from other sources were excluded, the real trading profits for 1952/53, after depreciation, were £5,872,259 against £8,056,595, a reduction of £2,184,336.

It was significant that this fall in profits of 27 per cent related to a reduction in sales turnover of only 4 per cent; a fact which, in itself, told the convincing story of the return to sterner trading conditions he had forecast. In plain terms, it meant that in spite of some recession in the world demand for certain types of products TI manufactured, and, therefore, an intensified competition for what trade there was, the company had practically maintained its sales turnover, although to do this it had to pay a price. TI had, in fact, emerged from the lush days of the Korea boom stripped to battle order, and had met the fierce challenge of a keen world buyers' market; the year's earnings offered a fair reflection of these rigorous conditions, and the fact that they were still substantial, notwithstanding all these circumstances, might be a source of some satisfaction.

USE OF RESERVES

The accounts, taken with their notes, had been presented in a self-explanatory form, but attention was invited to a few aspects of the financial position. The profits of £6,199,131 were struck after providing £1,586,324 for depreciation, which, as in previous years, was nearly double the amount allowed for income tax purposes. The reduction in profits was not reflected in the net available balance. Because of necessary tax adjustments, this, at £2,984,311, was £477,335 more than was shown last year. The board proposed that £2,150,000 of this balance be transferred to General Reserve and development reserve of £750,000 and the dividend stabilisation reserve of £700,000 making the general revenue reserve £10 million.

The prudent financial policy which stockholders had permitted the board to follow over the years had greatly added to the competitive power of the group to the benefit of all concerned. Throughout the last seven years, TI had been spending money on new capital equipment for the modernisation of the company's factories, just as fast as this could be obtained, and this form of expenditure was continuing at much the same rate. The employment of the liquid resources in these ways in so short a time, and on such a scale, whilst impressively building up TI's operational strength, had reduced substantially the available funds; these were

adequate at present for the company's requirements, and the question of additional capital, therefore, was not under consideration. If this position should change, there would be no delay in dealing with it.

DEVELOPMENT PROJECTS

Recent additions to TI's operational strength included the acquisition of Round Oak Steel Works, Limited, at a cost of £5,800,000. This was a good sum to pay, but it was a good company—well founded, well manned, well equipped with modern plant, and conveniently situated. Apart from its existing business, which would be developed, the company would help to safeguard TI's supplies of special tube steels. For some time, these had been barely enough to keep the mills working at more than two-thirds capacity. TI would now share the advantages enjoyed by larger competitors at home and overseas by having a more or less integrated steel and tube plant. It would also make it possible for tube steel to be included in the company's technical researches. The plans would take a year or two before TI reaped the full benefits.

Another acquisition, costing just over £1 million, was W. H. A. Robertson & Company, Limited, of Bedford, a company with a world reputation, which specialised in the design and manufacture of rolling mills, tube-making plant, wire-drawing machinery and heavy to light machinery and engineering components. With the resources of TI to support them, there would now be no financial limit to the size or value of contracts Robertson's could handle at one time; the value of the association in this respect had already been amply demonstrated. The company's entry into the TI family would in no material way affect the trading autonomy it had always enjoyed. Other TI projects nearing completion were the big aluminium rolling mills in South Wales, which had already enabled the aluminium division to offer certain products at lower prices; and the £2,500,000 plant for fabricating special quality-bearing tubes, for which a big demand existed.

EXPORTS AT £18 MILLION

Direct exports totalled over £18 million, a reduction of nearly £2 million from the previous year's record. The financial difficulties which beset so many countries, the overstocking of markets against previous shortages, and the hope of price reductions, had been disturbing factors in an unsettled world market, and they had led to a growing ferocity in competition to secure what trade there was. It was to be expected that foreign competitors would make headway in some of their traditional markets which TI had served immediately after the war. This they had done, but, by and large, TI had not been losing ground to them and, if it could be helped, the company did not intend to. It had, however, been found necessary to sell certain components at uneconomic prices to meet the challenge of German subsidised exports. The sterling area again provided the most important export market. Prices fell steadily in Europe, with a general expectation that the Schumann Plan and increasing steel supplies would lead to still further price re-

ductions. Shipments to the dollar markets continued on a very satisfactory scale.

A sharp recession in the British and European aluminium industries turned the aluminium division's previous year's profit to a substantial loss. There had, however, been an encouraging increase in exports, and the full savings in costs expected from the new rolling mills promised a fair share of future trade in this competitive market. Price reductions of virgin aluminium in July on the resumption of private buying were welcomed, but he believed that further far-sighted and statesmanlike decisions on the part of the Canadian producers were necessary if the full demand for wrought aluminium in this country were to be stimulated.

Overseas economic difficulties, and consequent market restrictions, had led to a halt in the cycle division's meteoric rate of expanding output, when, in addition to big home sales, over 1½ million cycles were exported in one year. In 1949, he had suggested that the industry's production capacity had probably outstripped long-term demands, and TI had taken the warning to heart. By improving processes, TI companies had absorbed rising costs and produced more and better bicycles without greatly extended premises, and were thus able to retrench with the least embarrassment on the return of more difficult conditions. Much more than half of Britain's cycle exports to the US had come from TI in recent months. Without being complacent, he was confident that the cycle division was well-placed to gain full advantage of the opportunities in the world market open to it.

RECORD ENGINEERING RESULTS

The general and engineering divisions had achieved record results. This spoke for the growing demand for capital goods and TI's capacity to share in satisfying it. This significant trend, coupled with the group's own considerable requirements of new plant and equipment, had led TI into the specialised light machine tool and mechanical handling equipment industries through the purchase of Brookes (Oldbury), Limited, and New Conveyor Company, Limited, last year. These acquisitions had been further justified by a year's results. The acquisition of W. H. A. Robertson and Company was another step in this direction which would so extend the range of TI engineering equipment manufacture that the group would touch upon world industrialisation at many new points.

The steel tube division had recorded another satisfactory year's trading. There had been a sudden falling off in demand for certain categories of tubes, particularly electrically welded tubes, which caused TI to abandon a project for increasing capacity at a works in South Wales, but for some—especially those used in the manufacture of capital goods—the demand mostly remained firm or increased. Order books generally had been reduced during the year to levels which, for the first time for over a decade, should serve to energise the sales departments. The already enormous range of TI tubes continued to grow in step with industry's changing and exacting requirements. The electrical division, benefiting by a welcome change in the heart of the authorities towards the domestic use of electricity,

had made headway, improving sales and income for the year, and had introduced a number of new products, but a long road had to be trodden before the electrical appliances industry would fully recover from the privations imposed upon it for so long.

PROGRESS OVERSEAS

It had been evident that the general hardening of trading conditions was not confined to this country, and, for TI's associated and subsidiary companies overseas, the period had been one of consolidation and development rather than expansion. Good progress on all fronts could be reported. The value of these overseas enterprises continued to grow in an atmosphere of mutual trust and goodwill, which was so essential to the development of the group's international trade. The potential importance of Central Africa was reflected in the formation of a small company, TI (Central Africa) (Private), Limited, which would be developed as opportunity commended.

COMMONWEALTH AT CROSS-ROADS

Commenting on the emergence of a number of powerful economic groups of countries, the purpose of which, naturally enough, was the advancement of their own interests, Mr Stedeford said that wholehearted supporters of the Commonwealth took pride in its great contribution to human progress and world stability, but there was an inclination to think mainly in terms of moral leadership and to overlook its deficiencies in the economic field. From the practical point of view, apart from some fine ties of sentiment, which meant as little or as much as any member cared to decide, and Imperial Preference, already the subject of erosive attack from all sides, each member could depend upon little more than his own strength to withstand the pressure of economic events. This had for long been an uneasy position, but, in face of the rapidly changing pattern of world economic forces, it had surely become a vulnerable one.

There might be conflicting views on what, if anything, should be done about it, but the blunt fact remained that the Commonwealth would ultimately lose much of its moral influence if it did not gather economic power. If all-round, long-term benefits could be won by some more definite relationship, then surely it behoved members to examine the circumstances and consider what form the new relationship might take.

THE FUTURE

One did not forget the jealously guarded sovereignty of member countries, but what could be done by, and the best advantage of, the Western European countries, with their conflicting interests, should not be beyond the good fellowship of the Commonwealth community, if, likewise, a worthwhile gain for all could be achieved.

Was there an economic future for the Commonwealth as a community, and should we strive towards it? Prudence prompted that we should at least find out, and it would surely be well if we made some haste in doing so. There were alternatives, of course, for every member, and these would have to be considered in the cold light of self-interest, for in the ultimate this was necessarily the test for any association. But we all stood to lose before the economic groups confronting us, if, for want of seeking it, we allowed a great opportunity to go begging.

Concluding, Mr Stedeford said that we were passing into a tough new age when a company had to be fit to survive. TI had been saving and spending well to condition itself for these circumstances, and he was encouraged by the knowledge that the TI companies were in fine shape to meet them.

HORLICKS LIMITED

RESULTS NOT UNSATISFACTORY

The annual general meeting of Horlicks Limited was held on November 20th at Slough, the Rt Hon Richard Kidston Law, PC, MP, presiding in the absence of the chairman.

The following is an extract from the statement by the chairman (Mr O. P. Horlick) for the year ended March 31, 1953:

The year's results have been by no means unsatisfactory. I cannot yet say, however, that the difficulties of our overseas subsidiaries have been overcome and in the United States particularly, further losses seem inevitable.

The trading profit of the group amounts to £607,575 and compares with £659,138 for the previous year. Net profit before taxation amounts to £431,154 against £527,222 and after provision of £226,865 for all taxation at home and overseas, assessed and assessable, against £332,265 last year, there remains a net profit of £204,289, which compares with £194,957 a year ago.

The directors recommend a final dividend of 16½ per cent, bringing the total distribution for the year up to the usual rate of 30 per cent.

Our position in the home market is being well maintained, the milk situation has become somewhat easier and packing material costs are declining a little. Milk, wheat and barley prices and freight rates increased during the period under review. Our new products, Air-wick and Nulacin, have made useful contributions to the year's results and plans for the introduction and marketing of additional products are well advanced.

Our overseas markets remain a source of great strength, but the economic factors, which in the home market have tended to reduce consumer purchasing power, are increasingly evident in overseas markets.

Australia's valuable role as a substantial supplier of our eastern markets is now growing in importance with the completion of the new factory.

EXPANSION OF ACTIVITIES

Turning to a much happier picture, I referred last year to the steady expansion of our activities in the West of England, and since then not only has the throughput of the West Somerset Bacon Company, Limited extended considerably but also our branded "Somerset" sausages are finding favour with an increasingly large public.

Activity in our dairying interests has also broadened in that we have now arranged to treat and bottle milk for a large proportion of the milk retailers in an area stretching from Minehead to Weston-super-Mare.

Our cattle breeding centre continues to serve an increasing number of farmers in Somerset and with the recent advance in technical methods of artificial insemination, it is hoped to extend this activity among cattle breeders in many parts of the world.

Last year I referred to our hope that we should be able to add further products to our range by development in Somerset and the first steps in this direction have now been taken by Horlicks Farms and Dairies Limited through their acquisition of the controlling interest in Thatchers Food Products Limited, a company which specialises in the manufacture of such aids to the housewife as bottled garden mint and parsley.

Through our investments in the United States and Australia, we have been able considerably to expand and consolidate our Far Eastern markets.

The report was unanimously adopted.

FAIREY AVIATION COMPANY, LIMITED

NEW DEVELOPMENTS

The twenty-fifth annual general meeting of the Fairey Aviation Company, Limited, was held on November 12th in London.

Sir Richard Fairey, MBE, HonFRAeS, chairman and managing director, in the course of his speech said: Our increased profits for the year are more than wiped out by additional provision for taxation, which this year amounts to no less than £641,654. This is literally an outrageous proportion of our earnings and I do not know how long industry as a whole can be expected to stand these exactions. Since the war, for every £1 that we have paid in dividends we have paid £5 in taxation.

We have endeavoured to cover the field of new development in a way that should stand us in good stead not only while free nations are rearming, but also when rearmament comes to an end and orders for military types will fall away. We were pioneers and we are now established in the field of guided weapons. We are building up a strong organisation with a view to having a definite share of this business in the future.

We have designed the Rotodyne, which is of 40-50 seating capacity, with many alternative uses, both civil and military. Inquiries manifest a world-wide interest.

Our production facilities are in full swing. The super-priority "Gannet" has emerged from the tooling stage and is now coming off the production lines. From this aeroplane we are entitled to expect much.

The report was adopted.

THE BORNEO COMPANY, LIMITED

A SATISFACTORY RESULT

MR C. R. AKERS' REVIEW

The one hundred and sixtieth Ordinary General Meeting of The Borneo Company, Limited, was held on November 18th in London.

Mr C. R. Akers (the chairman), in the course of his circulated speech, said:

Although the accounts for the year to March 31, 1953, as was to be expected, and as I warned you would be the case, do not show profits up to the record profits of last year, still they do show results which we consider in the circumstances satisfactory. The net trading profit of the parent company fell from £925,995 to £438,185 and the group profits before taxation from £1,828,692 to £1,222,961. After deducting taxation the profits of the parent company were reduced to £187,852, compared with £331,459 last year.

As stated in the directors' report, our Rejang timber business has caused us a great deal of anxiety. Prior to the last war the concession was worked for Hardwoods, but operations were brought to an end before we had established regular markets for the several species of timber which were not familiar to the trade. After the war there was a strong demand for the so-called Softwoods of our forest areas, and we concentrated on extracting and selling Meranti and Kapur logs, but we have had many problems to contend with.

We have over the last few months reorganised our staff both in the forests, in the saw mill and in Sibul, with effective control,

and we hope that the resultant reduction in costs of extraction will enable us to realise profits. But it is too early yet to say whether these hopes will be realised. Our saw mill has been rebuilt and re-equipped and is now passing through its teething troubles. The re-establishment of the saw mill has been opportune as the trend of the markets now is to require increasing quantities of sawn timber. We have resumed the extraction of Hardwoods on a small scale, and the prospects of finding satisfactory outlets for our production appear promising.

PROBLEM OF FINANCE

The difficulties of finance which I mentioned last year are still with us. We have not yet come to the end of the expenditure which is necessary to maintain our organisation, and, particularly in Borneo, to establish ourselves where the trade has developed or is expanding.

Our subsidiaries, particularly the Borneo Motors, Limited, group and Orchard Motor Company, Limited, have the same constant demands for finance for garages, showrooms, workshops and offices for the necessary development of their businesses. This in turn requires more money to be tied up in stocks. Substantial profits have been made in the last few years, a large part of which have had to be ploughed back into the businesses; in spite of this they still have periods of considerable financial stringency.

It is impossible at present to foretell how the economic factors in the territories in which we operate are going to affect our business.

The report was adopted and the ordinary dividend of 15 per cent was approved.

ALLIED BAKERIES LIMITED PRIVATE INDUSTRY'S CONTRIBUTION TO NATIONAL ECONOMY

At the eighteenth annual general meeting of Allied Bakeries Limited held on November 17th, in London, the chairman, Mr Garfield Weston said, in the course of his speech:

The policy of modernisation of our plants financed entirely out of revenue has absorbed very heavy capital expenditure since the end of the war and has enabled us to hold down production costs in face of the rising trend of costs experienced in recent years. Our overseas interests have made excellent progress and their contribution is having an increasing effect on our total earnings. Our turnover for the year has increased by 20 per cent. There is no need to emphasise the importance of this increase in sales, and its influence on our earnings position.

With the return of freedom of supply more competitive trading has emerged but we are well equipped to play our full part and welcome this new challenge to our efficiency.

The results we have before us today are a new record in the history of our organisation. The net profit figure comes out at £4,679,000 and is £1,012,000 higher than last year and taxation provided at £2,880,000

is greater by £790,000 than the charge last year, and absorbed over 75 per cent of the increased earnings. The total of revenue reserves and surplus amounting to £4,343,000 is more than three times the issued ordinary capital and the surplus of current assets over current liabilities is £2,812,000, an improvement during the year of over £2 million. Over the years the total sum provided to write down intangible assets is £5,854,000.

PROPOSED BONUS ISSUE

Your directors have decided to apply for permission to a bonus issue of one new ordinary share for each ordinary share issued. It is proposed that the new ordinary shares should be non-voting but should rank in all other respects *pari passu* with the existing ordinary shares.

We must recognise the trend of somewhat more difficult days ahead but it is our constant endeavour to lessen the effects of a decreasing consumer demand—competition from the greater availability of other foodstuffs has in my opinion been the main cause, and to some extent to the housewife doing more baking at home.

I am proud of the contribution our group of companies has made to the Exchequer, and this year for every £1 paid to our equity shareholders over £12 has been paid to the Government and this I think will be acknowledged by every thinking person as proof that private industry is contributing its full share to the national economy.

The report and accounts were adopted.

KUMASI COLLEGE OF TECHNOLOGY

Applications are invited for the following posts in the Department of Commerce:—

- (1) SENIOR LECTURER in ACCOUNTANCY and
to take accountancy up to final professional level and to cover between them costing, executorship law and accounts, auditing and taxation. Qualifications: degree in commerce, membership of professional body, professional and/or teaching experience.
- (2) LECTURER (Grade A or B) in ACCOUNTANCY and
to take courses up to final level of examinations of Chartered Institute of Secretaries and Corporation of Qualified Secretaries. Commerce graduate with secretarial qualifications preferred.
- (3) LECTURER (Grade A or B) in SECRETARIAL PRACTICE, LAW and ACCOUNTS.

Salaries for pensionable appointments: Senior Lecturer £1,266-£1,780 p.a. Lecturer (Grade A) £798-£1,450 p.a. Lecturer (Grade B) £798-£1,150 p.a.

including overseas pay and temporary c.o.l.a. of approximately 15 per cent of basic salaries (£850-£1,200, £540-£1,000 and £540-£780 respectively). Temporary appointments would carry slightly higher salaries. Grading for lecturers and point of entry into scale according to qualifications and experience. Partly furnished houses provided, rent according to basic salary. Free first class passages once each way for each tour of service, for persons appointed, their wives and up to three children under 13. Income tax at Gold Coast rates. Generous home leave on full salary.

Write for further information to Secretary, Advisory Committee on Colonial Colleges, 1 Gordon Square, London, W.C.1. Closing date for applications (6 copies) December 7, 1953.

STATISTICAL OFFICER.—Mars, Limited, the well-known confectionery manufacturing company, is expanding its Statistical Department and, accordingly, invites applications for the above specialist appointment. The successful candidate will be directly responsible to the Chief Statistician; his duties will involve: (a) the statistical design of enquiries, particularly those relating to consumer and marketing problems; and (b) the development of statistical control systems applied to manufacturing operations. Applicants, under 30 years of age, must have a First-Class Honours degree, with special Statistics and Mathematics, and at least two years' experience in an industrial or research appointment, requiring the practical use of advanced statistical method. Acquaintance with electronic computers would be advantageous. The Company is less concerned about initial salary than securing the right man, but has a four-figure level in mind, plus non-contributory pension, life assurance and other benefits. Applications, which will be treated in confidence, should give a concise account of education and experience, and be addressed to the Personnel Officer at Dundas Road, Slough, Bucks.

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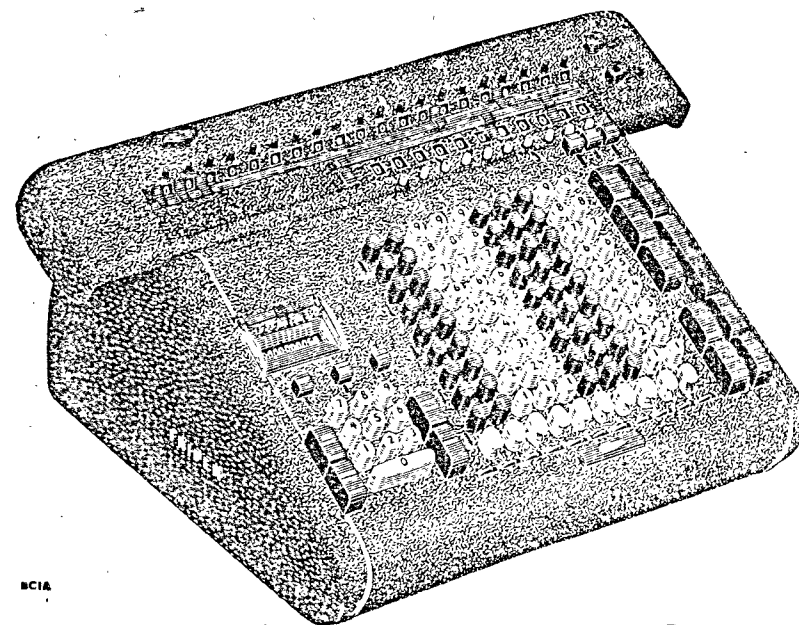
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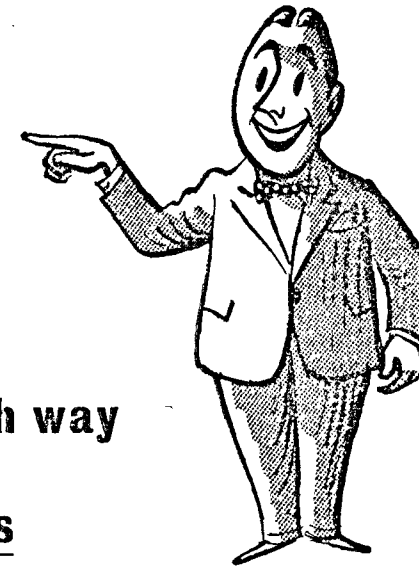
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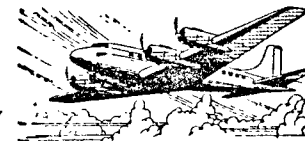
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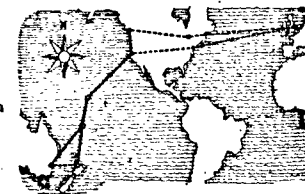
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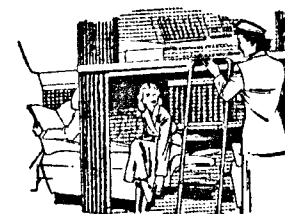
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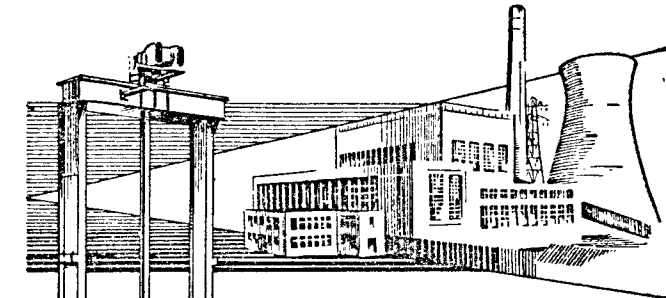
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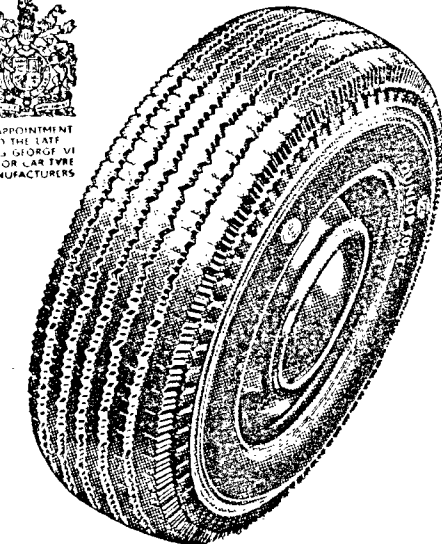


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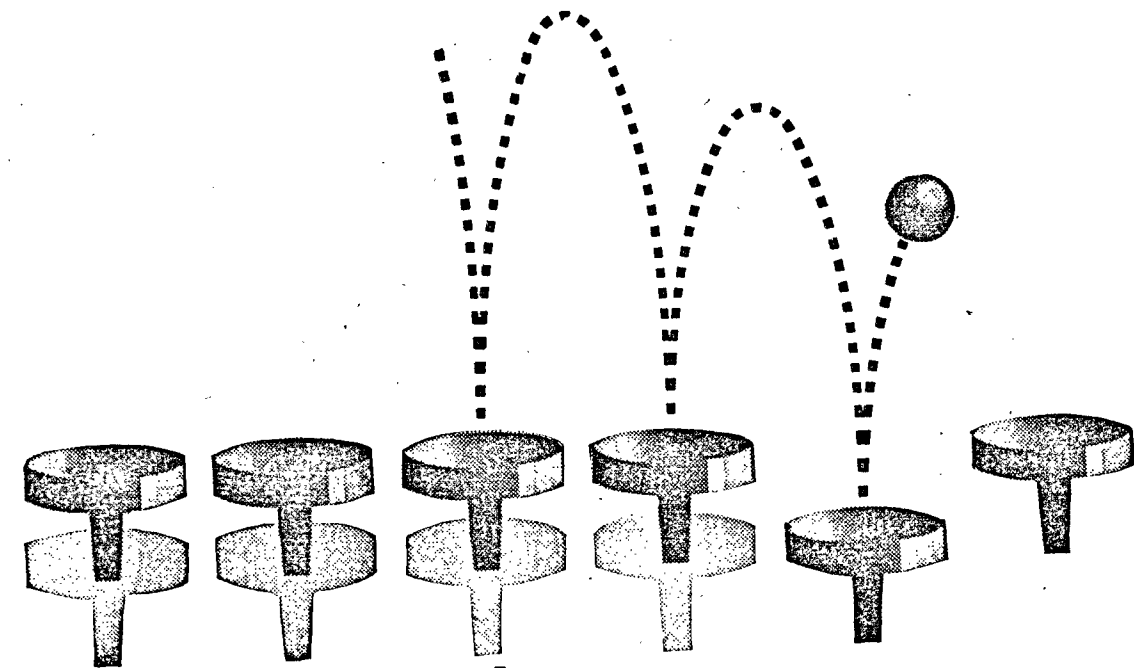


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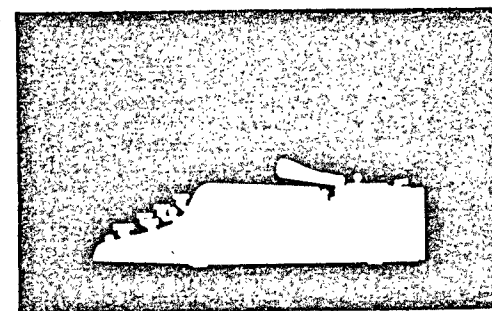
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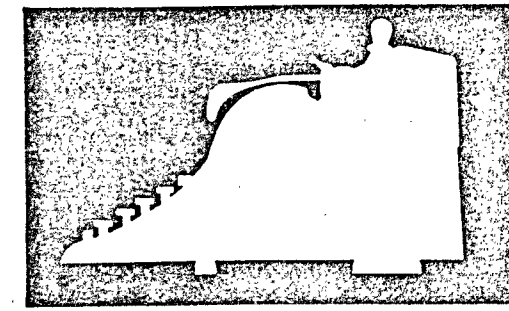
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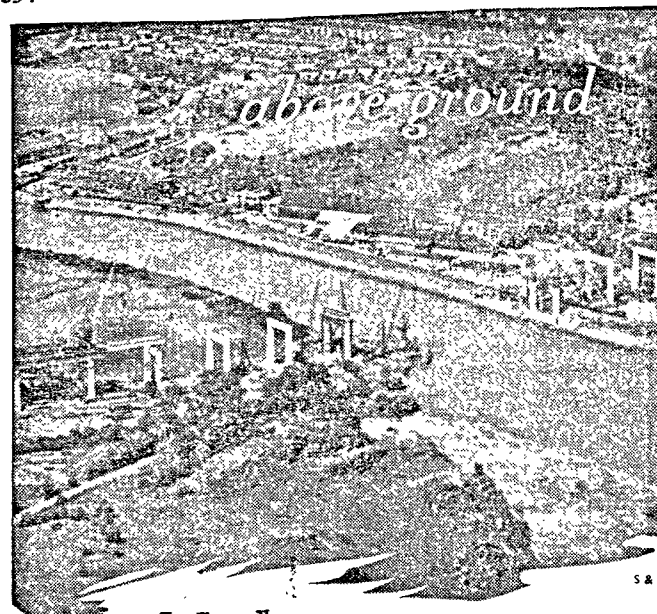
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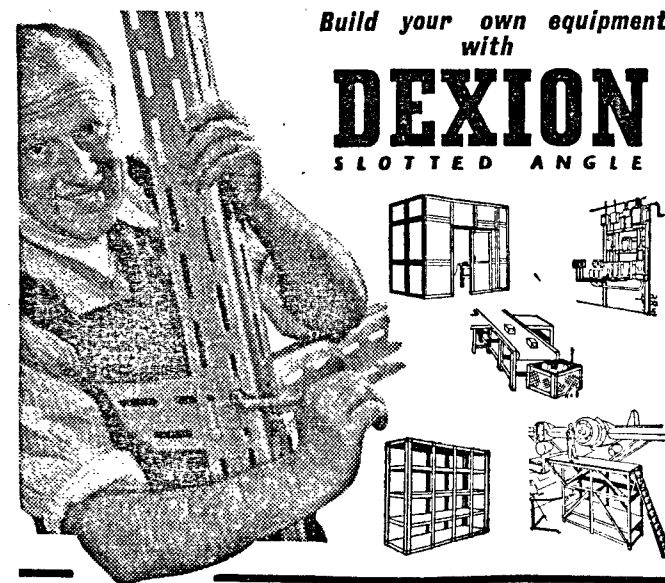
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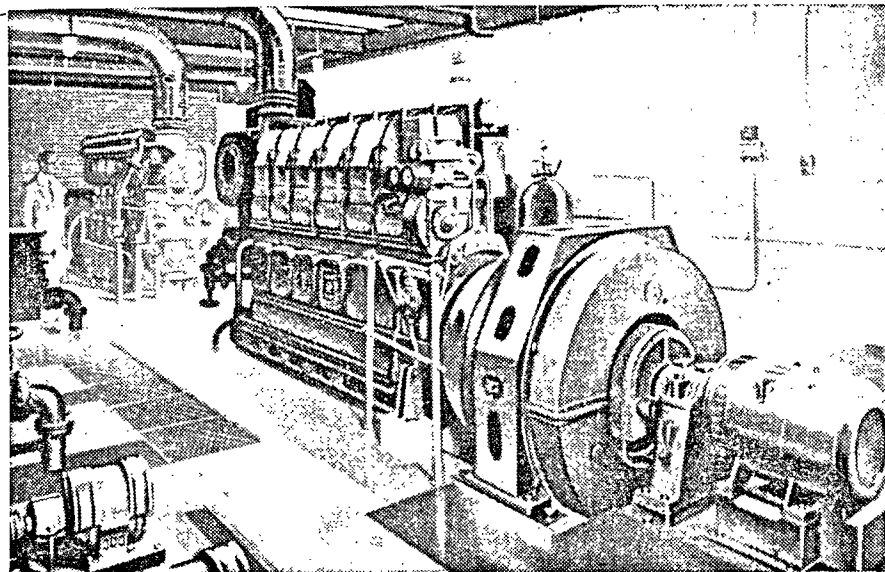
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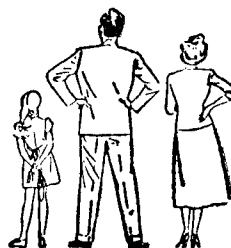


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NOVEMBER 28, 1953

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To Meet the President

THERE was a curiously hysterical note in Mr Vyshinsky's attack on the Bermuda conference last week. Moscow, of course, detests all forms of what Mr Molotov terms "collusion" between the democratic powers, although it still seems unable to avoid driving them into one another's arms. But is there, in this case, something more? Do the Soviet rulers really fear that the quiet weekend at the Mid-Ocean Club will upset their plans in some unexpectedly sensational way?

It is difficult to see why they should. Indeed, until a very short time ago the Kremlin might have been expected to welcome the idea of a pull-devil-pull-baker contest between the heads of the western governments. A Bermuda meeting at which Sir Winston Churchill was trying to sell President Eisenhower a ticket to Moscow, while the latter talked tough about EDC to M. Laniel, who in turn reminded Sir Winston of his godfatherly responsibilities towards the European army plan, would surely have been a pleasing sight to Russian eyes. Happily, there are now sufficient grounds for hoping that the talks will not take that shape. The Prime Minister has finally acknowledged the grave dangers that lurk in his vision of a top-level meeting with Mr Malenkov; M. Laniel demonstrated, in this week's debate in Paris, that French indecision could no longer be laid at his door; and British association with EDC appears to be crystallising into a more generally satisfactory form.

The omens are now better, therefore—if it can be assumed that the French governmental crisis does not prevent the Bermuda meeting from taking place at all. But what shape will these discussions without agenda in fact take? Clearly it will be for Sir Winston Churchill, as both host and convener, to set the ball rolling. If, in spite of everything, he begins by rolling it in the direction of a Malenkov meeting, it is bound to stick almost at once; for it is now plain for all but the wilfully blind to see that the last thing the Soviet leader wants is to find himself closeted with Sir Winston. Indeed, even the smog released by Mr Molotov at his celebrated press conference and eagerly inhaled by some open-mouthed individuals in the West cannot conceal his reluctance to confer on any level at present.

The reasons for that reluctance have now been widely recognised. Moscow has nothing to offer in negotiations; and it feels that it has nothing to lose by indefinitely freezing existing positions in Germany and elsewhere. The Soviet leaders' attitude may also be influenced by a domestic factor. The monolithic discipline they impose alike on their subjects and their satellites depends in part on the constant evocation of supposed threats from the outside world; Malenkov's concessions to the Russian consumer at the expense of the iron framework of heavy industry and defence must make these external threats seem less imminent to many of his subjects. If they once sensed a genuine relaxation of tension, it might be impossible to maintain discipline of the severity that the Kremlin finds necessary. Soviet

policy will probably, for some time to come, aim at keeping the political temperature steadily in the middle ranges, well away from either boiling point or zero, but with a tendency to be uncomfortably warm.

It is here, surely, that the first task for Bermuda is to be found. The western statesmen have to review the events of this eventful year, and thence to estimate the temperature at which they must operate in 1954 and perhaps for a year or two after that. Clearly, the free world dare not relax to a greater degree than does the Communist bloc; equally clearly, it cannot afford to waste its strength on unnecessary efforts. It must not be expected that three heads of governments, each of whom has pressing preoccupations of many other kinds, can in a few days of bilingual talk find detailed agreement on all the international problems that confront them. They must confine themselves to the broadest essentials. But breadth is not to be confused with inexactness. Taking a temperature is an exact business, calling for a nice degree of judgment, not for dramatic decisiveness or moral fervour. For this reason, the Bermuda meeting will prove most satisfactory if it results not in any resounding sensation but in a glow of quiet understanding.

Whatever the Bermuda thermometer records will be impatiently awaited by the planners of the North Atlantic Treaty Organisation, for the regular annual meeting of the Atlantic Council, at which sights are set for the coming year, is almost due. But Bermuda, though it may throw out the careful calculations of the Nato planners, may offer them some compensation: it may speed up the exchange of information between allies about the new weapons which have in past years represented an unknown quantity in the annual Nato equations.

★

But in addition to these primarily technical issues, there is a major political problem in the European sphere confronting the statesmen at Bermuda. This is the European Defence Community project, which, for reasons that have been sufficiently described in these columns, remains the only satisfactory formula for the common defence of Europe. Before MM. Laniel and Bidault spoke in this week's parliamentary debate in Paris, it might well have been expected that the Bermuda meeting would be largely devoted to an Anglo-American demand for French ratification of EDC. Now, however, the French prime minister has defined his position, and it would be both unseemly and futile for Sir Winston Churchill and Mr Eisenhower to apply personal pressure to him in this way. France's allies should not seek to dictate to the French premier, whose difficulties they must perceive and whose honesty of purpose they must applaud, the substance of the French decision on EDC. But they have a right to insist that it be taken, one way or the other, at the earliest practicable date.

M. Laniel, in turn, is entitled to demand the immediate clarification of the American and British posi-

tions. In the Paris debate on Tuesday he expressed his expectation that the terms of Britain's close association with EDC would now be rapidly and satisfactorily settled. At Bermuda, Sir Winston Churchill will have not only the opportunity but the duty of completing his assurance on that score. But what of the United States? There has never been any question of Congress agreeing to an association with EDC as close as that contemplated by Britain. On the other hand, American leaders have, on various occasions since the change of administration, used terms implying a commitment not to reduce their effective military strength in Europe, which is the heart of the matter. Something more specific may now be forthcoming, and, as in the case of the British commitment, a prompt and spontaneous American offer would be very much better than a grudging concession to importunity.

★

As between Europe and Asia, the obvious difference in the picture over which the three statesmen will brood at Bermuda is that in Asia Communist representatives are actually seated at the other side of a table. Admittedly Mr Dean's table at Panmunjom is a very small one, something between an occasional table and a mere camp stool, and it may yet fail to grow into a full-size conference table of whatever shape. Its reason for existence is that a shooting war has only lately been stopped in Asia, and much remains to be tidied up. The tidying may get no further than it has done in Europe since 1945. Up to now, the Chinese have shown small enthusiasm for a real conference; indeed, why should they, when by stalling tactics they can hope to widen what they take to be major rifts in the unity of the United Nations? The issue of Indian participation was handed to them on a plate as a result of allied short sight and misunderstanding, and it is hardly surprising that in such circumstances they should have decided to invest in obstinacy. Even now, after three months of procrastination, they may still look to the UN Assembly to prod Mr Dean in the back for them.

But it may not be long now before the Chinese judge that they have exploited this situation to the point of diminishing returns. When the moment for real negotiation arrives, it is essential that the free nations should find themselves agreed on the outlines of a Far Eastern policy. For, although there can be no yielding on the principle that Korea must be stabilised before the wider affairs of the Far East become the subject of negotiation, any Korean conference worth its name must eventually broaden out into a wider discussion.

There is an element of fantasy in the manner in which these broader Far Eastern issues are generally discussed in the West. It must be acknowledged as a triumph for the Communist technique of obsessive propaganda that nearly all such discussions take as their starting point not the conditions that are essential to the security of the free world, but the numerous

demands of Communist China. To bring out the irony of this situation, a parallel may be suggested. Suppose that the League of Nations had successfully driven back Mussolini's invasion of Ethiopia, and thus for the first time asserted both the principle and the practice of collective resistance to aggression; but that a formidable fascist army remained poised in Eritrea, and an unrepentant Duce was still bragging of his military exploits to cheering crowds in Rome. Would the allies then, while still compelled to keep their joint forces in the field in Africa, have agreed to approach a general settlement by way of Mussolini's claims on Nice and Corsica and to liquidate instantly every kind of economic sanctions? It may pardonably be doubted—even if the Emperor of Ethiopia had outraged liberal opinion in the West by talking as much intransigent nonsense as Mr Syngman Rhee.

Yet today Peking, having just celebrated with much rattling of sabres the anniversary of the Chinese invasion of Korea, blandly puts forward as its price for a dubious Korean settlement a set of demands ranging from admission to the councils of the Great Powers to the surrender of Formosa; and the western governments are widely criticised for their reluctance to accept such an agenda. Indeed, Mr Eisenhower may arrive at Bermuda next week expecting not only to be taken by the hand and drawn deeper into Europe, but also to be proffered a velvet glove for use in handling China. Yet what the three statesmen ought really to discuss in the Far Eastern sphere is not China's interests, but those of the free world. These interests embrace the halting of the Communist onslaught in Indo-China; the prevention of a second aggression in

Korea; and assurances against attacks on Siam, Malaya, India and Japan. No security is likely to be obtained under any of these heads while Peking remains in its present braggart mood and counts on disunity in the UN ranks to bring all its aims to fruition in time. Only by hard bargaining by a united group of allies can any satisfaction be obtained; and if that bargaining is to succeed the free nations must play their cards, some of which are strong, with coolness and deliberation.

A policy of this nature would in no way imply a surrender to the views of the many extremists in America. The gulf between those views and those of Mr Eisenhower's Administration has already been made clear—particularly in Mr Dulles's recent reminder that the Administration had never committed itself to permanently resisting the seating of Peking representatives in the United Nations. There is no reason for Britain to abandon its standing thesis that Communist China should be admitted to a normal international status once it has purged its contempt; in the long run, American opinion can be expected to align itself with British in this respect. But in present circumstances, while Mr Dean at Panmunjom is meeting Chinese abuse with restraint and patience, while the Indians in the "explanation" tents are discovering how justified was the American insistence that prisoners of war should choose their fate freely, while Peking continues openly to encourage the Communist generals in Indo-China, and the latter spurn French suggestions of a settlement, the one outstanding need is for firmness; and it is for Britain in particular to demonstrate that in the Far East it stands shoulder to shoulder with America and France.

Recession Small or Large?

IT now looks unlikely that the economic tide will turn before Christmas. The prophets of a recession in the autumn have once again been proved wrong. This does not mean that the British outlook is exactly set fair. The Chancellor of the Exchequer last week told industry that exports are increasing only slowly; indeed, he suggested that in many important fields British exporters have been losing ground to their competitors for the past two years. In itself, this is old knowledge: it is one of the reasons why the mood of business has become so much more cautious since 1951. But it must be read in conjunction with the Chancellor's belief that increasing consumption in the home market does not at present threaten to distract industry from selling abroad—or, in other words, that his budget of last April was not too lenient. The indifferent showing of exports does not mean, on this official view, that the economy is veering off course in the direction of inflation. On the other hand, fears that it is about to veer in the opposite direction, towards deflation, have

slackened somewhat of late; they do not fit either with the buoyancy of the Stock Exchange or with the present facts of consumer spending and investment outlay. There are differences of emphasis about where the future dangers may lie, but there is wide agreement, among both planners and businessmen, that the economy is on a pretty steady course at the moment.

To try to forecast the economic weather ahead is to turn to the United States, where there are three questions to be asked, which are not often distinguished as clearly as they should be. First, will economic activity decline during, say, the next six or twelve months? Secondly, if it does, what will the recession be like—how sudden and how big? Thirdly, what will be the nature of its effects on the rest of the world?

On the first, he is a brave prophet who at present has any confident answer. Ever since 1945, almost everyone has under-estimated the expansive force of the American economy. Occasionally, it is true, economists have succumbed to the enthusiasm of the moment and

become falsely convinced that production would stay on the up and up; this happened, most notably, in 1951. But at most times, and whenever there was any real measure of immediate uncertainty, informed opinion has turned out to have been too gloomy; industrial activity six months later has been higher than most people had thought it would be.

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The recent past is no exception. The level of American industrial production this last summer was higher than the general prediction at the beginning of the year; and it looks like remaining higher at the end of the year. What looked, not many weeks ago, like the onset of a real recession, now has more the appearance of one more "rolling readjustment"; slack in some industries is being largely taken up by continuing expansion elsewhere and unemployment remains low. This also, however, may be only a momentary impression and the bearish symptoms may reappear. But since the seasonally high period of Christmas trade is immediately ahead, a dramatic turn for the worse before January would now be surprising.

The forecasts of a recession are thus put off once again. The common belief is now that the recession will come in 1954 and its likely magnitude is commonly expressed in America as a 5 to 10 per cent drop in industrial production below this year's level—which would only bring it back to the level of 1951-52. Even such moderate predictions have in the past turned out to be too pessimistic, but it would still be very foolish to dismiss the expert opinion. The chances are that it will not go on being wrong for ever. If the American economy has proved itself extraordinarily resistant to the trade cycle for eight peacetime years, that is still a short time and they have been years with many other abnormal features.

There is in this no evidence that the trade cycle has been conquered once and for all. On the contrary, it remains as true as ever that the American economy is by its sheer exuberant nature peculiarly exposed to instability. That is the cost of great technological vigour, which is liable to make industrial investment go in bursts, and of a high standard of living, which makes so much consumer expenditure postponable. Continuous high activity in such an economy cannot have a continuous source; it depends on the constant succession of one expansive force after another. The increased stability that the United States has demonstrated since the war is the equivalent of good tactics in a military operation: the economy has responded smoothly to shifts from one expansive force to another—from the strong postwar replacement demand for consumer goods to a high level of construction and industrial investment and then to heavy defence spending. What is at issue now is not this tactical ability but the general strategy. The main reason for fearing a recession next year is the difficulty of seeing what large new expansive force will be at work.

Mr Colin Clark, writing recently in the *Manchester Guardian* with all the certainty of revealed truth, has created a stir by asserting not only that there will be a recession early next year, but that by the middle of the year it will have gone too far to be arrested by any measures that one can put within the bounds of political probability. Very few people indeed will share Mr Clark's confidence in the mathematical argument on which his conclusion rests. Indeed, he himself admits that the theory does not altogether fit the facts of the Great Depression. Even in 1929-30, economic activity did not slump as rapidly as his equations would have led Mr Clark to suppose, and the forces of resistance to a slump are surely stronger now than they were then. But if in this respect his predictions seem exaggerated as well as over-confident, there is none the less a point of first importance in Mr Clark's analysis, a point that does not depend at all on his particular, mechanistic formulæ. When a real recession does start in the United States, it may well move faster and go further than most Americans are now supposing.

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The fashion of economic thought in this matter has changed very recently. In the early postwar years, it was usual to think of full employment as a narrow ridge. On either side were steep precipices; if the economy were moved just a few steps off its existing course, it would plunge out of control into an abyss either of galloping inflation or of disastrous deflation. People feared that if the total of demand was reduced by a little, the cumulative natural forces of the economy would immediately take command and produce a big drop. In fact, the United States in 1949 and Britain in 1952 proved resistant to small declines in demand. Full employment is not a ridge but a plateau. The modern economy has quite a considerable room for manoeuvre, round about the point of maximum activity, without getting itself into an uncontrollable deflationary spiral.

To realise this has been, in the conditions of recent years, the largest part of economic wisdom. But it is not the sum of wisdom. There is a danger now that economic thinking has swung too far in the new direction. Is it right to assume that the plateau stretches on indefinitely, that production can fall by perhaps 5 or 10 per cent and the decline still come to an easy and even a natural halt? The contrary analysis is familiar enough. When some firms have met a fall in demand or an expected fall in prices by running down stocks, other firms experience a fall in demand and run down their stocks; when some firms have scaled down their expectations of future business, and cut their investment programmes, other firms find that they have been too hopeful and cut their investment programmes. And so on. These cumulative forces of contraction are known to every first-year student of Keynesian economics, and it would be a pity

if sophisticated economic analysts forgot them. It is true, of course, that the modern economy has powerful "built-in stabilisers" that resist the contraction—tax payments decline sharply with marginal cuts in profits, state expenditure on social security benefits rises automatically. But the efficacy of these stabilisers has so far been tested only against very mild contracting forces. The cyclist can correct for little wobbles and keep his balance; but if he is pushed beyond a certain point, he will still over-balance.

This is not a prescription of hopelessness. The "automatic" counter-forces are not the only thing to keep the bicycle upright. There is also deliberate Government action. The present Administration and Congress of the United States are certainly alive to the danger and full of the best intentions. But would their actions be big enough and quick enough to counter what might be the rapidly cumulating forces of recession? The clumsiness of the American political system makes it impossible to be sure and not too easy to be hopeful.

The argument is not, most emphatically, that the United States is facing another Great Depression; it is not even that a tiny recession, on the 1949 scale, is likely. The point is solely and simply that if, by some mischance, the prophets of a recession are for once right, they may be wrong about its size. If the decline

Dragon's Teeth by the Nile

THE Egyptian government is puzzling its friends, and giving its enemies cause for glee, by its behaviour over the Sudan elections. It has identified itself with a single party in the Sudan—the National Unionist Party that is ready to acknowledge some link of an unspecified kind with Egypt—and it is trying to influence the simple minds of Sudanese electors to favour that party. Its method is to call all other parties the unwitting and foolish tools of British imperialism. The effect of this vehement campaign is to sharpen acerbity between the Sudanese parties, which are not really at odds, since all agree in wanting to do the daily job of running their internal affairs without reference to Cairo or anywhere else. For the sake of quite temporary electoral benefits, Egypt is therefore sowing two kinds of trouble for itself in the future. First, it is increasing the danger of discontent between Government and Opposition in the Sudan, which could create on its southern frontier not the stable and peaceful neighbour it needs but a centre of disturbance. Secondly and graver still, it is antagonising a large section of the more educated members of the Sudanese nation. These men are beginning to hate the too-ready assumption of Egyptians that the Sudan is their business and that they are entitled to behave there as if they were at home.

Those who know the Sudan only from the press

may be 5 or 10 per cent, why not 15 or even 20 per cent? It would be folly to prepare for one and not the other. There are those who would say that the difference is, for this country, academic; a very slight recession would in any event be quite enough to plunge the sterling area into another crisis. That may be true, but it does not make the size of the recession unimportant. In a slight American recession the things for the British Government to worry about would be the balance of payments and the dollar reserve; it would be quite compatible, as it was in 1949, with continuing full employment and even inflation within this country. But if the recession were swift and went further, it could hardly fail to infect Britain's domestic economy with deflation; in a mood of nervousness, investment projects would probably be held back, consumers might reduce spending, and unemployment would then be by no means confined to the export trades. The measures needed would be very different from those appropriate to full employment.

This article makes no forecasts. Its argument is that there are three possibilities to be prepared for: no recession at all; a small recession such as the American forecasters expect; and also a medium-sized slump. Nothing will be more important for Whitehall in 1954 than to watch carefully and to be sure that plans are ready for prompt action in all three situations.

reports on the first week or two of the present elections might think this second risk a small one. They have been regaled with stories of bewildered fuzzy-wuzzies wandering in and out of booths asking which way to vote, and may have come to regard the whole country as primitive. But it is now the turn of the more sophisticated areas to vote; they contain communities accustomed to running town and rural district councils, with majorities of elected members, who have a good idea of their duties and of their responsibility to electors. No one can doubt this who has seen one of them at work. Ignorance is by no means universal in the Sudan, and many of its more progressive elements are alarmed and shocked at Egypt's tactics.

Egyptian thinking about these elections has gone through several phases. It was General Neguib's government that first proposed the machinery for them: the neutral electoral commission that has been seeing fair play is working in precisely the way that Egypt suggested. Then Cairo began to fear that the influence of the Sudan's remaining British officials—40 in the Defence Force, 8 in the police and, at today's date, some 130 in the Administration—would influence the vote and help the parties that favour independence for the Sudan. In August, therefore, Major Saleh Salem was sent south to propose, instead of elections, a gentleman's agreement whereby an all-party group

should run the country for the three years of self-government that are to precede self-determination. On discovering that this idea found no favour with the Sudanese, the Egyptians dropped it and started to use the pressure tactics that Mr Eden described to Parliament on November 13: they sent their Under-Secretary for Sudan affairs and the head of the staff section of their Ministry of Propaganda to Khartoum; they increased the financial contributions that they have always made to the orthodox Islamic institutions in Egypt and they sent numbers of Egyptians of Sudanese origin on leave to the Sudan. The full force of Cairo radio is also devoted to the campaign.

People well acquainted with the non-Arab and non-Moslem south believe that this propaganda has made some headway there; it may affect southern representation in Parliament, and, since the Moslem parties could turn out to be fairly evenly divided between the National Unionists (mainly *Khatmia* or orthodox), and the two Independence parties (mainly *Ansar* or unorthodox), a balance could lie in southern hands. But it is difficult to believe that any such momentary capture of allegiance could permanently operate in Egypt's favour. Southerners may be so bemused by their electoral experiences as to do incalculable things now; but they are unlikely to forget for any length of time their inherited fear of the Arabs, who are connected in their minds with the slave trade and the oppression of the nineteenth century. The latest Egyptian step is a protest to the electoral Commission about undue British influence and unfair proceedings at the poll in Kassala and Equatoria provinces. The commission, through its Indian chairman, Mr Sukumar Sen, who is extremely experienced in electoral matters, has replied that the facts "do not warrant your conclusion" of interference.

It is difficult to understand all this Egyptian activity except as an effort to secure a parliament which will,

during the transitional period preceding self-determination, do its utmost to eliminate everything British from the Sudan. As matters stand at present, the possibility that the policy will produce an outright union of the Sudan with Egypt is extremely remote. The National Unionist list of candidates is a collection, not of supporters of Cairo, but of antagonists of the *Ansar* and its leader el Mahdi. For example, Mirghani Hamza, the National Unionist politician who might be prime minister if the orthodox *Khatmia* emerges in strength from the polls, favours an independent Sudan which will merely co-ordinate defence, foreign policy and certain commercial matters with Egypt. All thinking Sudanese want a separate civil service, and most want a separate currency. The real question for the Egyptians is the degree of co-operation to be secured from the Sudan of the future, whatever party is in power. For they need this co-operation on vital matters such as sharing the Nile waters and defence arrangements. With such requirements, they would have been wiser to be less partisan.

In a world full of young democracies and peoples feeling their way towards new patterns of self-government, interference—even from a would-be good neighbour—has some wider repercussions. Egypt has been perpetrating acts which it would not for a moment tolerate within its own frontiers, even from fellow-Arabs claiming "brotherhood"; its behaviour might well be described in some quarters as imperialist. Maybe the spectacle it has offered the world will have one good result: it will suggest that use of the ballot box is a good thing only when people have enough education to use it as it is meant to be used. Probably the Sudanese will emerge unscathed from the strange battering to which their minds are being subjected, and will arrange their affairs as they think fit. But the outcome would have been happier for all had there been no intervention from Egypt.

Modes and Morals

ONE of the fruits of distributing education and incomes is both brightly coloured and juicy: the women's magazines have become a very flourishing crop. There are about fifty of them, nearly all with circulations comparing very favourably with prewar sales and still rising. At a time when some general periodicals have been in difficulties and two or three have gone out of business, the women's magazines have gone from strength to strength.

Women's magazine reading increased during the war, when there was little else to buy, and when, for the first time, many married women had their own money as distinct from an allowance from their husbands. Circulations were held down by the paper shortage, but nearly all have since risen, in spite of price increases. By now women no doubt feel that to cut down on their

magazine reading would be a false economy. Apart from getting free knitting patterns, which would cost 7d or 9d each in the shops, they are shown how to lay out their money, how to make do and mend; and they get plenty of reading matter without a trip to the library and the cost of a subscription.

Two magazines—*Woman* and *Woman's Own*—each have a circulation of over 2 million and a readership, according to the Hulton survey, of over 5 million, and both have gained over a million readers in the last four years. Their success formula seems to be a gay and dashing presentation and good, gripping fiction. But presentation is not everything. There is nothing to catch the eye, for instance, in the appearance of *Woman's Weekly*, which, with its circulation of 1,800,000, is the only paper to present any kind of challenge to *Woman*

and *Woman's Own*. It looks frumpish beside most of its competitors, and owes its success to less obvious causes: its fiction—almost a week's reading in tiny type; its knitting patterns—three or four for three-pence; its sincerity, as "woman to woman"; and the dependability of its instructions. Women, it seems, develop a strong loyalty to their favourite writers. They come to rely on one paper and one contributor for advice about children; on another contributor—perhaps in another paper—for fashion; on another for cookery,

PRINCIPAL WOMEN'S PERIODICALS*

Paper Weekly (W) or Monthly (M)	Price	Circulation, Jan.-June, ('000)		
		1938	1952	1953
Odham's Press				
Woman (W).....	s. d. 4½	750	2,227	2,551
Everywoman (M)	1 3	100	316	312
Ideal Home (M)	2 0	45	118	138
Mother (M).....	1 0	115	77	83
Newnes & Pearson				
Woman's Own (W).....	4½	357	1,770	2,124
Home Notes (W)	3½	151	299	287
Modern Woman (M).....	1 3	95	197	231
Homes and Gardens (M) ..	2 0	24	114	145
Amalgamated Press				
Woman's Weekly (W)....	3	498	1,746	1,816
Woman's Illustrated (W) ..	4½	148	516	535
Home Chat (W)	3½	127	283	280
Woman's Companion (W) ..	3	176	209	221
Woman's Pictorial (W)...	4½	121	203	181
Woman and Home (M) ...	1 0	301	871	917
My Home (M).....	1 0	189	460	449
Woman's Journal (M)....	2 6	115	288	288
Wife and Home (M).....	1 0	131	312	295
Woman and Beauty (M) ..	1 3	133	140	130
National Magazine				
Good Housekeeping (M) ..	2 0	128	200	187
Vanity Fair (M)	1 6	...	137	150
Harper's Bazaar (M)	3 6	35-40	57	57
Condé Nast				
Vogue (M)	3 6	40-45	150	150
House and Garden (M) ...	3 0	...	30	41
Weldon's †				
Weldon's Ladies Jnl. (M)	1 3	229	180	168
Good Taste (M).....	1 6	59	102	99
Mother and Home (M)....	1 3	62	131	119
Other Publishers				
Britannia and Eve (M) ...	2 0	82	80	80
Housewife (M).....	1 9	...	203	200
The Lady (W).....	8	25	71	76
The Queen (Fortnightly) ..	2 0	8	43	50‡
Heiress (M)	1 0	...	66	66

* Excluding specialised journals and those with fiction only.

† Subsidiary of Amalgamated Press.

‡ Jan. - April: minimum estimate.

and another for medical advice. Following their favourite contributors leads many women to buy more than one magazine. Advice and instructions that are absolutely dependable go far to build up a good circulation, and a single mistake in a knitting pattern can undo the work of years.

This loyalty to certain papers and certain contributors explains why the big magazine companies find it worth while to run several women's papers in competition

with one another. Amalgamated Press, which owns over a dozen, built up its long list of magazines under the control of Northcliffe, whose policy it was to probe everywhere to find new markets. Some of the firm's papers are almost direct competitors with each other. They have stories, short and serial; articles on fashion, beauty, the home; interviews with personages, or more probably with their wives; the inevitable piece about the royal family; and the perennial advice about how to get your man, how to keep your man, or how to get your man back.

This, indeed, is the content of more or less all the women's magazines. Broadly speaking they can be divided into three groups: the cheaply produced ones with the largest share of true love; the ones that are bright with colour gravure and ideas; and the glossy ones gleaming with photographs of fashion and furnishing. The common formula can be applied with different emphasis and at different levels, and competition is keenest between those papers that mix the ingredients in roughly the same way. *Woman* and *Woman's Own* are an obvious pair, with a wide appeal that is particularly powerful with the younger woman. *Home Chat* and *Home Notes* are homely in a simple way, while *Housewife* and *Good Housekeeping* are rather more ambitious. *Vogue* and *Harper's Bazaar* compete for the fashion-conscious, with *Vanity Fair*—started since the war—as a younger sister to *Harper's*. Yet it is not easy to classify the women's papers according to the income groups or social classes they cater for. Many of them find their way into all kinds of home. The Hulton Readership Survey showed, for instance, that *Woman's Own* and *Woman*, having in recent years altered their characters to cater for the middle classes in their appeal, are now widely read (as distinct from bought) by women of all income groups from the middle classes downwards. Even *Vogue*, which, apart from a concession to those with "more taste than money," is written as if for the fashionable world alone, seems to be read by over a million women in all. Equally, the domestic magazines are not read exclusively by housewives. *The Lady* still finds more purchasers among a species that seemed to be nearly extinct—perhaps because of its fame as a carrier of small personal advertisements; and at the other end of the scale there are papers plainly written with the factory girl in mind.

In catering for their readers' mental capacities, the editors of the women's magazines have this in common; none attempts to raise matters of politics, and they hardly touch on current affairs at all. In the more serious magazines for middle-class housewives there may be articles about education and other social questions, but these are treated only as readers' personal problems and "human stories." Even in the glossiest papers the current affairs are all in the realms of the theatre, art and literature. True, *Vogue* has a section called "People Are Talking About . . .," which will include some allusion to current politics, but this does no more than warn the reader what to expect at cocktail parties, lest a blank expression spoil the effect of the

new ensemble. As far as the feminists are concerned the women's papers are a dead loss, for they assume that a woman's interests are just *Kinder, Küche, Kleider*—and cosmetics. It might be argued that in a subtle way these papers are an asset to the Right in politics. Their emphasis on stability and security in the family, their idolisation of royalty, the snob appeal that a few of them so successfully exploit, hardly go with revolutionary fervour. But of course a girl can have dreams of Dior without a thought for Sir Winston, and politically the influence of the women's periodicals can fairly be reckoned as negligible.

Economically, on the other hand, their influence is great. Their power as an advertising medium is obvious, though the proportion of revenue derived from advertisements varies too much to make generalisation possible, and so, too, do advertisement rates. Articles and photographs sell furniture and kitchen equipment. Their importance to the textile and clothing industries in publicising each new season's mode can hardly be overestimated, for they make it plain that last year's dress, although in perfect condition, simply will not do. In addition to this indirect help to certain industries,

Joint Consultation

SIR—Some fifteen years ago I was involved in a strike of four months' duration and I suffered so much in pocket and in mind, that I directed my attention to the feelings by which the factory workers of Lancashire were actuated. The result of my study and investigation resulted in a plan which I have invariably adopted from that time to the present with perfect success. . . . Allow me to observe that I am at the head of a firm working 150,000 spindles, and that our works have not been stopped for one week for ten years. . . . In each of our works I selected two of the steadiest and most intelligent of the workmen, as a medium of communication with the hands and the firm, stating to them our willingness at all times to receive any communication from the hands through them. I stated at the same time how keenly I felt the insane proceedings of many of the workers in paying at least 5 per cent of their earnings to clubs, with a view to obtain correction of grievances and equality of wages, when, by a judicious application to their employers, all causes of complaint might be removed without the interference of strangers, who invariably become dictators, and thus instead of obtaining redress often widen the breach. . . . By having a sort of tribunal to resort to, conducted on rational principles, we have been, with only two exceptions (and those have been of a very trivial nature), free from the injurious influence of paid dictators, and our hands have had the full benefit of their own industry. Now you will see, Sir, that the above plan presents many advantages. One is, there can be no angry contentions going on without a speedy adjustment. Another is, that any person employed knows that any reasonable requirement will be laid before the employers, and receive due consideration. I am convinced that as the working classes become better informed, there will be fewer strikes; and as there are in every mill some few who read, think, and reason, the best preventive of strikes is to employ the intelligent in governing the ignorant.—Yours, most respectfully, A COTTON SPINNER.

The Economist

November 26, 1853

individual firms get free publicity. Ready-made clothes are sketched or photographed, and the reader is told where to buy them; knitting patterns must specify the kind of wool to be used; new hair styles are duly attributed to their creators. Above all, the cosmetics industry depends on the women's papers. It has developed with them in the last sixty years and grew rapidly between the wars, when so many of the existing journals were started. How else could women learn the absolute necessity of a nightly ritual of cleansing creams and nourishing creams, hormone creams and vitamin creams? (It is a solemn thought that but for the women's papers the nation would get some ten minutes' extra sleep every night).

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From a social point of view, too, the women's papers are a power in the land. They are to a great extent doing the job of a welfare worker, with their advice on health and babies and their rough way with old wives' tales. The Mothers' Union itself could not more strongly uphold sexual morality and the sanctity of the family than they do, both in the letter columns and in the fiction. The letters are for the most part so silly that they are sometimes suspected of being concocted by some joker in the office; but they are genuine, and the editorial staffs treat them seriously in notably sensible replies. The fiction varies greatly. In *Harper's Bazaar*, for instance, it is sophisticated. In the more prosperous papers it is often contributed by best-selling novelists—writing, however, within the conventions of the medium. For the cheaper papers it can be bought by the yard from a London agency—much of it American fiction which has been, as it were, “dubbed” to change its setting to this country. All but the most sophisticated fiction conforms to certain rules. Virtue always triumphs, the bad girl is routed, the heroine (who is usually a nurse or a secretary—never, even in the cheapest publications, a factory girl) marries her boss. But she always marries for love.

The moral code evident in both fiction and advice seems to rest on the assumption that it provides the best way to get, or keep, your man. Whether this is the deliberate and sincere conviction of those who run the women's papers, or whether it expresses a belief that morality sells best is debatable. The latter conflicts with the assumption made in film posters and in cheap novels; and it would seem, from the Hulton Survey, that women have quite a taste for “cheesecake.” But they also have an ideal of romantic love and they look to their own papers to provide it. It is arguable that all this fiction fosters a false romanticism that makes marriage more difficult. But against that must be set the fact that the counsels of these periodicals are making marriage smoother, homes brighter, food better and clothes smarter. At a time when so much is heard about the wickedness of the Press, even Mr Randolph Churchill would surely agree that the women's magazines, at least, are on the side of the angels.

Notes of the Week

Revolt in the Lords

THE revolt of the Lords opposed to the Government's scheme for competitive television gathered less support, in face of the Whips, than many people had expected. The Government won easily in the division on Thursday evening. But no one will regret that the first debate on the Government's White Paper took place in the House of Lords. Men of the calibre of Lord Samuel and the Archbishop of Canterbury are clearly better placed to offer a constructive judgment now that the party lines have been all too clearly drawn in the Commons.

But the trend of the debate is at least as important as the result of the voting. The Government has to do more than merely defeat its critics in the division lobbies; it also has to win the argument on the floor of the House. Lord Salisbury, in replying to the debate, rightly said that it had failed to produce any strong body of opinion behind one clear alternative. The Government can claim this negative success but it counts for little when set against the remarkably wide range of criticism levelled against the White Paper. It is, after all, these specific proposals which are under public scrutiny and the debate in the Lords has revealed little support for them. A good many peers are backing the Government only on general principle and have substantial reservations on matters of detail. This is undoubtedly true of Government supporters in the House of Commons as well, and Ministers would do well to fulfil their promises to keep open minds and consider some fairly extensive changes.

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None of the peers who criticised the Government managed in the compass of a single speech to set out a coherent alternative, but the Government can at least take credit for having conditioned practically all its critics to accepting the need for some alternative to the present BBC service. This was conceded even in Lord Halifax's motion and already the argument has moved to the question of how that alternative should be provided. On this there was no unanimity and the Government can hold that some of the criticism was unfairly negative. Probably the speech to command the greatest assent came from the Archbishop of Canterbury. He argued for an increase in the licence revenue, even to £5, on the welcome grounds that people ought to pay the cost of their amenities. But at the same time he felt that the dangers of advertising were overrated and he proposed that if it would improve television both the BBC and the new corporation should be allowed to earn advertising revenue, both drawing the rest of their funds from the licence pool. Lord Salisbury hinted that the Government will carefully consider the Archbishop's

speech. It should be seized on as the means of escape from what is becoming an uncomfortable position. But the Archbishop's ideas have much more than this political merit; they point the obvious way to a satisfactory solution, round which public opinion could be rallied once it is realised that the future of broadcasting is not a choice simply between monopoly on the one hand and unrestricted sponsoring on the other.

Bigger Subsidies

IT is somewhat ironical that the policy of guarantees for agriculture should run into sharp conflict with the Government's general economic policy just at the time when agricultural policy is being reshaped. It is this conflict that is expressed in the Supplementary Estimate for the Ministry of Food published on Wednesday. That some increase over the Budget estimate would be necessary has been obvious for some time. But the increase of £127 million, which more than doubles the Ministry's net expenditure, far surpasses any reasonable expectation. It is precisely the sort of additional spending that used rightly to shock the Conservatives when they were in opposition.

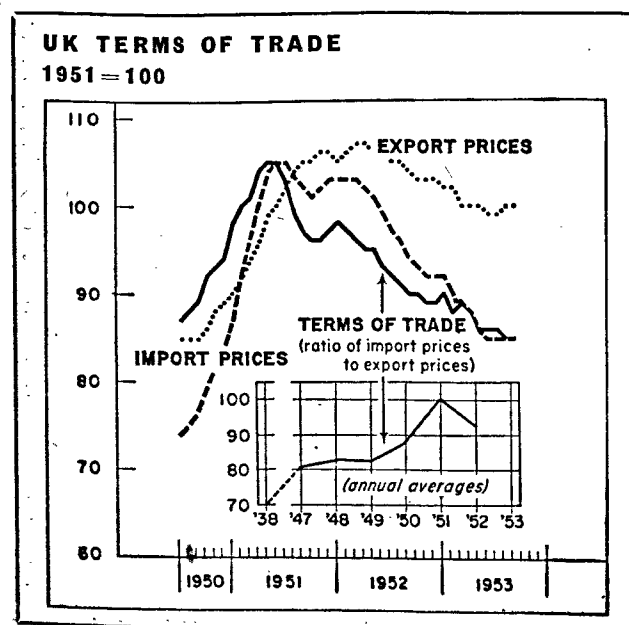
Of the three main items in the increased expenditure, one (£37 million) is the cost of the additional sugar imports required to increase stocks in order to make derationing possible by meeting the free consumer demand at present prices. The pros and cons of this are matter for separate argument. But the two other big items are largely the embodiment of agricultural policy. Some £57 million is needed to maintain the guaranteed prices for British cereals, and to carry bigger stocks, when world prices are falling. An extra £27 million (making a total of £49 million) is needed for meat and bacon, primarily in order to bridge the gap between what consumers are willing to pay for a lot of pork and what the farmers were promised in order to produce it.

The budgetary significance of this extra expenditure is discussed in Business Notes on page 680. Part, of course, represents an investment in increased stocks and has no immediate inflationary effect; but it is none the less a dangerous commitment, since the stocks may well have to be sold next year at lower prices than the Government has paid for them. And even the effect in the current year appreciably upsets the balance of financial policy. During the period of high world prices it was possible for politicians to shut their eyes to this aspect of the guarantees to agriculture: with falling prices, they expose the Exchequer to commitments that cannot be calculated in advance and are subject to enormous variations. This is precisely the dangerous feature of agricultural policy that the Government's new schemes do nothing whatever to correct.

Parliamentary Troubles

ANY tendency for Ministers to become complacent, and there seems to have been a little, should have been checked by one or two recent events. First, some Labour backbenchers organised a midnight defeat of the Government on a Prayer; then the by-election in Holborn and St Pancras South unmistakably ended in Labour's favour; a Labour backbencher was allowed to delay Government business by an old-fashioned filibuster; and on Tuesday Conservative backbenchers mutinied against Sir Winston Churchill's refusal to increase the pensions of a few elderly officers. None of these events is important in itself, but they all come as a timely reminder to a government that has perhaps been taking its parliamentary position too much for granted. The cascade of Bills and White Papers with which the session opened was impressive, but it scarcely justified the welter of mutual admiration that followed. Ministers seem to have been somewhat blind not only to the movements of their opponents but to the feelings of their own supporters. Only this can explain why, on top of known backbench doubts about the negotiations with Egypt and about television, Ministers aroused fresh hostility over a minor pensions issue on which their supporters had for months shown strong feeling.

Holborn and St Pancras South is a peculiar constituency, with a large floating population, but both sides chose to treat the by-election as of major importance and Labour is entitled to satisfaction for having increased its majority despite a substantial drop in the total poll. Labour's share of the poll was nearly two per cent higher than at the general election; and if most of this could be balanced against the decline in the Liberal vote, the fact remains that the Conservatives suffered from a little more than apathy. Nothing can be gathered from the other two recent by-elections, in safe Conservative seats—in one Labour's share of the poll rose by 2 per cent, in the other it fell by 1½ per cent; the next piece of evidence on the state of public opinion will be provided by the by-election in



Paddington North. But Labour feels that it is leading in this autumnal "little election" and its front bench may be encouraged to new militancy.

The Government's two parliamentary rebuffs, however, were both administered from the Labour back benches. Mr Harold Lever's 2½-hour filibuster was a considerable personal achievement in an assembly which does not allow "tedious repetition," and the backbench trap which drew the Government to defeat on a Prayer was laid with forethought. But a Government Whips office with such a wealth of military experience should surely have been capable of mustering the 100 members needed to stop Mr Lever and should have detected the nocturnal manœuvres on the Prayer.

France Stands Divided

THE dramatic foreign affairs debate in the National Assembly has dispelled illusions that it will be an easy task to muster in France a coherent majority to support ratification of the EDC treaty and agree simultaneously on social policy at home. With its sudden twists and turns, with suspense maintained to the very last moment, the debate had all the ingredients of a thriller. Last week the opponents of the defence community started the parliamentary attack. The defenders rallied to their positions only to see M. Bidault's speech interrupted by his sudden collapse. The few days' break that followed provided little help towards finding a solution. When the debate was resumed the Prime Minister, M. Laniel, made a major declaration of policy, in which he repeated the government's pledge to support the defence community, provided certain conditions were fulfilled. But the main obstacle still remained: to agree on a motion for the vote. The Socialists and the Gaullists have stuck to their guns and, at the moment of writing, the prospects look dim. M. Laniel has threatened to resign if defeated and once again there is a risk of a French crisis wrecking a Bermuda conference. This very risk, however, may tilt the balance in favour of a compromise.

Yet even if MM. Laniel and Bidault carry their motion and get their diplomatic passports for Bermuda, this dress rehearsal has shown that the real battle for ratification next year will be furious. Many deputies expressed their misgivings about the projected status of the French Union in the Community. Many share M. Mendès-France's view—though not all would vote for him—that France cannot enter it in its present state and with the burden of Indo-China. Above all, the government's own acceptance of EDC is not unqualified. It attaches three pre-conditions to French ratification: the signing of additional protocols, an acceptable settlement of the Saar question with Germany and the conclusion of agreements with Great Britain. The prospects for an agreement over the Saar are infinitesimal if France maintains its present terms. On the other hand the debate has shown how many French deputies look to Britain to keep the balance of the new Europe. Without his revelations on contemplated closer links with Britain, M. Laniel's task would have been still more formidable. The fate of EDC in France still depends in a large measure not only on British policy but on the manner in which it is presented.

A Snook from the Ruhr

IN Western Germany decartelisation is a thing of the past; recartelisation is now the order of the day. A bombshell has been thrown by the German steelowners among the three Occupation Powers—if one can still call them that. The first challenge came from Professor Schenck, a steel expert, who told a recent meeting of the steel technicians' association that the trusts must be recreated. The Ruhr, he said, had been penalised by the way in which rationally grouped concerns had been split by the Allied Law 27.

It seems that the Ruhr steel companies intend to reconstitute the trusts to a limited extent, both vertically and horizontally. They demand that German steel companies shall again own all the coking coal they require, as well as subsidiary manufacturing plants. They also insist that works producing the same kind of product, whether crude steel or rolled products, must be amalgamated. It is not proposed to reconstitute the whole of the giant *Vereinigte Stahlwerke*, which owned 50 per cent of the Ruhr steel and 25 per cent of its coal, since that conglomeration was seen to be inefficient. But concentration on a smaller scale is demanded on the grounds that it will facilitate modernisation and thus lower production costs.

Meanwhile a counter-shock has been administered to the steel owners. They have been reminded by Dr. Etzel, chief German representative on the High Authority of the coal-steel community, of an awkward fact that they had so far ignored: that the High Authority's charter gives it the legal right to say Yes or No to such amalgamations. Indeed, some provisions of the coal-steel Treaty were designed expressly to ensure that the spirit of Law 27 would be carried out when the occupation authorities had withdrawn. Had this very issue not been clarified during negotiations, the French would never have signed the Treaty. They insisted that the German steel industry should not be allowed to recover its stranglehold over coal supplies and prices, and that economic power should never again be so heavily concentrated in hands that had so misused it in the past. Only under persistent American pressure did Dr. Adenauer agree to the present phrasing of the Treaty.

Under the Treaty, would-be associations of firms will be permitted only where it can be proved that they will lead to an increase in output and will not create a concentration of power sufficient to determine prices and shelter the parties concerned from competition in the single market. The High Authority's handling of this German challenge will be a major test of the principles underlying Europe's experiments with communities.

End of a Cartel?

AFTER some delay the High Authority of the coal-steel community has ordered the dissolution of the export cartel formed last spring by its steel producers. At the

time it held its hand, partly because it was heavily engaged with the first moves in setting up the common market, and partly because the export prices fixed by the cartel were almost identical with those prevailing in the common market. A mixture of reasons has led to this recent action. On public relations grounds alone the High Authority could not afford to appear associated with an institution smacking so strongly of the bad old days of restrictive monopolies. The general disapproval, moreover, was underlined by specific protests against the cartel from the American Government, which doubtless objected to it on ideological grounds. Finally, recent decisions by the cartel have brought its export prices slightly below those charged within the community, and accusations of dumping were sooner or later inevitable.

The powers of the Authority to intervene lie in a clause in the original Treaty, accepted by all signatories, which said that it could fix minimum or maximum export prices

if such action can be effectively supervised and appears necessary, either because of dangers to the enterprises on account of the situation of the market or to . . . further the development of international trade and see that equitable limits are observed in prices charged on external markets.

In short, if there is a need to fix export prices the High Authority will do the fixing, although in consultation with the industries concerned. The crucial question is whether,

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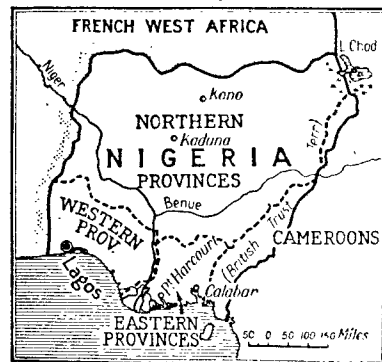
indeed, such action "can be effectively supervised." Buyers outside the community who benefit from evasions are unlikely to provide the Authority with information; and there is no certainty that either heavy fines or the odium of being arraigned before the Court of the community will effectively prevent such practices.

The Lagos Affair

LAST week, there arrived in London two angry Nigerian ministers belonging to Mr Awolowo's Action Group. Their visit should shake any complacency about the chances of agreement being reached on Nigeria's new constitution. Thanks largely to the efforts of the Secretary of State and the Colonial Office, a surprising amount of unanimity was achieved at the conference held in London in August. But it was clear when the delegates went home that Lagos would be a stumbling block to a final acceptance of the new proposals.

The status of Lagos—the capital of the federation—was the one major point on which the conference failed to agree. Mr Lyttelton, as chairman, was therefore asked to arbitrate, and the delegates undertook to accept his decision whatever it might be. He decided to separate the town from the Western Region in which it stands and give it an autonomous status with direct representation in the central House of Representatives. There were many reasons for this decision—among them the fact that Lagos is Nigeria's commercial capital as well as the political capital and also the port that handles most of the Northern Region's trade. The northerners had already made considerable concessions at the conference and it was hoped that the Action Group, which represents the Yorubas of the Western Region, would abide by its undertaking to accept the award. But over the last three months opposition to the award has grown in the Western Region and the Action Group has threatened that the region will secede rather than give up the capital, of which 70 per cent of the population are Yorubas.

So far as Mr Lyttelton is concerned, Mr Awolowo has been told, in far too hectoring terms, that the issue is now closed unless the Nigerian parties themselves agree to a compromise. This is unlikely; the northerners in particular are tied to the award, both because they distrust the West and because they have a sense of loyalty to British rule. Moreover, with the dispute with the Northern Rhodesian settlers on his hands, Mr Lyttelton may well consider it would be a dangerous precedent to give way to whatever pressure group shouts loudest and fiercest.



On the other hand, Nigeria's constitution cannot be expected to work if the whole of one region is seething with discontent and threats. The constitutional conference will be meeting again in January to consider the financial side of federation; and the distribution of the revenues from Lagos is bound to provoke a storm. Unless another attempt is made either then or earlier to get a compromise over the town's political status, an agreed constitution is unlikely to see the light of day.

Competition in Livestock

THE National Farmers' Union means to establish as quickly as possible a producers' board for the marketing of fatstock. Under the Government scheme, this board will have no compulsory powers. It will have to compete with the livestock auctions that will be reopened next year. The union hopes that its board will demonstrate the superiority of marketing on a dead weight and grade basis, so that eventually it will be given monopoly powers. Initially, the board will be restricted by the shortage of large slaughterhouses with adequate cooling capacity; but the union clearly intends to devote its energies and funds to a rapid expansion of the board's activities. It does not mean to be beaten in the critical test of its claims to marketing by producers.

The public has everything to gain from this competition between the auction system and the producers' board, so long as no special favours are shown to either party. The NFU, however, is demanding that all pigs and not just, as at present planned, all bacon pigs, should come under the sole jurisdiction of the board. This would be an unwarranted extension of a producers' monopoly that ought not to be established at all. The Government's scheme for pigs is admittedly unsatisfactory; but its danger is much more that it will stop consumers from getting enough Danish bacon than that it will impoverish home producers.

Now that the farmers have, somewhat ungraciously, agreed to give the Government scheme for livestock a try, the main concern is how much this scheme is going to cost the taxpayer. The Chancellor's recent remarks suggest that it may be more than the existing large meat subsidies. Yet the world supply of beef, in particular, seems likely to remain inadequate indefinitely, and home demand should be buoyant when rationing ends. If in these circumstances British farmers cannot produce beef without so large a subsidy, it is a black outlook for the efficiency of British agriculture.

The Flat Shibboleth

AT last week's conference of the Town and Country Planning Association another assault was made on the common belief that near the middles of cities it is more economic to build flats than houses, because of the high cost of the land. If 40 flats instead of 20 houses

are put on an acre of land costing £10,000, there is a saving of £250 per dwelling in site costs; but this saving is far outweighed by the fact that a four-roomed flat costs up to £1,000 more to build than a house of equivalent size. Even on very expensive sites the building of flats by local authorities is thus highly uneconomic; it is made possible only by a public subsidy which is two and a half to three times as large as the standard subsidy for a house.

Mr F. J. Osborn contended that these subsidy scales are so arranged

that they give most encouragement to just the sort of dwellings people want least, and just the sort that cost most, in just the places that are naturally most disadvantageous.

This statement seems to overlook the fact that a high density of housing is at present unavoidable in central areas; and it really has to be paid for by an extra subsidy. Mr Osborn is right to urge that the flat subsidy ought not to be so large as actually to encourage local authorities to build upwards rather than outwards. A public subsidy equal to £2 a week for a London flat is altogether excessive. It is three times the whole rent of the average worker's dwelling. On this basis the LCC finds it more "profitable" to build flats than houses; and these high subsidies very likely inflate the cost of site acquisition as well.

The subsidy structure should certainly be overhauled; but in London at any rate expensive flats will continue to be built. This adds force to Mr Osborn's point that every local authority dwelling built in a new or expanded town instead of in central London saves over £1,000 of public money. Savings of this sort are only one of many considerations relevant to the policy of dispersing population from London; but they do strengthen the case for dispersal and they do underline the economic frivolity of some of the objections to it. Farmers near Swindon have recently opposed that town's plan to accommodate surplus population from London; yet one farm of 250 acres can provide homes for 1,000 London families and save £1 million in housing subsidies. Is any farm that valuable?

Soviet Import Policy

RECENT reports from the Soviet Union have indicated a new interest in western consumer goods; but British businessmen as yet have not felt any change in its import policy. Indeed, it might be argued on the basis of Moscow's official data that, as only one per cent of Soviet consumption is to be met by imports from outside the Soviet bloc, the effect would be only marginal. However, a shift to new lines of imports would be an important development not only in commerce but also in politics. It may eventually be possible to persuade the Russian consumer (and the Soviet government) of the intrinsic quality of some of Britain's specialised exports.

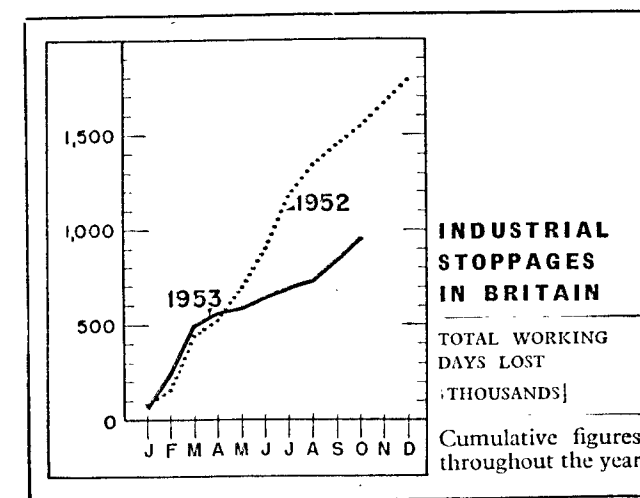
It is now fairly certain that the new regime, under the influence of Mikoyan, the Trade Minister, has accommodated its policy to the need for western consumer goods, at least during the interim period while the necessary switching from heavy to light industry is made. This might last until 1956. It is also known that the long-suffering Russian consumer is showing through the Press increased irritability about the quality of clothing and

durable consumer goods. Household gadgets, too, are much in demand. This type of demand has not appeared in Soviet imports from the West; and it may well be that the Kremlin is still unwilling to permit its public the luxury of comparing the quality of home-produced with that of imported goods. So far the only noticeable change in Soviet imports from the West has been the purchase of such "consumption goods" as butter, salted herrings, and meat. And this development might be explained by purely transient needs, such as the need to make life pleasanter in Eastern Germany. It so happens that the new import policy coincides with a phase when, for a number of reasons, Soviet export earnings are low. This, no doubt, is one reason for the recent sales of Soviet gold on the free markets, and the disposal of a quantity of silver in London.

It is still too early to get excited about the prospects of Soviet purchases of consumer goods. What the new policy means is still largely a matter of conjecture and, as recent events have shown, sudden and unexpected shifts of power in the Kremlin can cause radical alterations of the plan. The UN Economic Commission for Europe (ECE) has, however, made up its mind that the apparent changes in the policy of the Soviet Union and of other countries within its orbit are to be taken at their face value. In its latest quarterly report it is stated optimistically that "the changes in domestic policies in eastern Europe . . . may eventually lead to some recovery" of East-West trade.

Tito's Democracy

IN the campaign that preceded the elections in Yugoslavia this week Marshal Tito and his associates have shown themselves not insensitive to western criticism that a one-party democracy, which allows no proper opposition, is not a democracy at all. In stoutly rebutting this criticism they have sometimes betrayed some rather confused thinking—*qui s'excuse s'accuse*. This is not surprising since they are simultaneously pursuing two contradictory purposes. On the one hand, they would like to demonstrate that their rule really rests on a broad basis of public support; on the other hand they are determined not to weaken their own position by giving scope to their opponents and critics.



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Thus the Yugoslav leaders could argue that their form of democracy is more truly democratic than that practised in the West because in the "vital stage of pre-election activity" the elector really has some say in the choice of the man who is to represent him; he does not have to choose, as in the western democracies, between several candidates all probably equally unknown to him and equally uncongenial. But at the same time the Yugoslav Communists could also impress on electors that they should name as candidates only those who are "boundlessly devoted to the cause of socialism"; in other words, they could choose whom they liked provided he had the right ideas. But although the procedure governing the choice of candidates was strongly weighted in favour of the government bloc, the Socialist Alliance, the elections compared very favourably with those carried out today in eastern Europe and in Yugoslavia itself in 1945 and 1950. According to the reports of western correspondents, the voter was not dragooned into going to the polls; when there he was genuinely free to make up his own mind; a real attempt was made—not always successfully—to preserve the secrecy of the ballot; and in a few isolated cases independent candidates have in fact been elected.

Marshal Tito, has said that western parliamentary democracy does not suit Yugoslavia in its present stage of development; that it would be like making new cars and then putting oxen in front to pull them. This happens to be a convenient doctrine from his point of view though unflattering to the voters. If one could be sure that Titovian democracy was really only a stage in progress towards something better, and that it did not involve the oppression of individuals, there would certainly be much to be said for it.

A Committee for the Best Club

THE British MP, who must spend so much time on the job, has to work in conditions that are probably more cramped than those of any other legislator. Last summer a Select Committee was set up under the bustling Mr Stokes to review the whole question of accommodation and amenities in the House of Commons. A first interim report, dealing solely with accommodation, has now been published; it contains some practical proposals for giving MPs more space, either for work or for refreshment. A desk for every member remains a somewhat distant goal, but some of the more obvious anachronisms should be rectified. The Select Committee will now turn its attention to amenities and to the methods of appointing the staff of the House of Commons. The fourth item in its original terms of reference—to consider the desirability of appointing a sessional committee—has been overtaken by a proposal in this first report to set up a permanent "House" Committee.

On the long view this is by far the most important of the committee's recommendations, since it involves the whole question of who shall control the legislative building. The House of Commons is part of the Palace of Westminster, a royal palace of which the chief functionary is the Lord Great Chamberlain, a hereditary office. The present incumbent's view of his priorities was explained to the

committee with disarming frankness: "My first duty is to the Sovereign, who appoints me. My next duty is to look after the Palace of Westminster. After that, I consider it my duty to do all I can for the members of both Houses of Parliament." The Lord Great Chamberlain is not the sole authority—for money he must look to the Ministry of Works—but it seems that MPs, and peers too for that matter, are no more than sub-tenants in their own legislature. In his evidence to the committee the Lord Great Chamberlain archly foreshadowed "a few little surprises at your end." Welcome though these may prove to be, it would surely be more appropriate for MPs to arrange their own accommodation rather than to be the recipients of avuncular "surprises."

The select committee proposes that the new "House" Committee should not confine its attentions to accommodation but should "exercise wider functions." That there would be "constitutional and other difficulties" is recognised, and this is perhaps a fair hint, pending the committee's later reports, that it envisages some change in the Lord Great Chamberlain's powers. By the time it has finished its work this select committee, together with the similar body now investigating MPs' pay and allowances, should go some way towards giving the British legislator conditions of work nearer to those in less busy legislatures elsewhere.

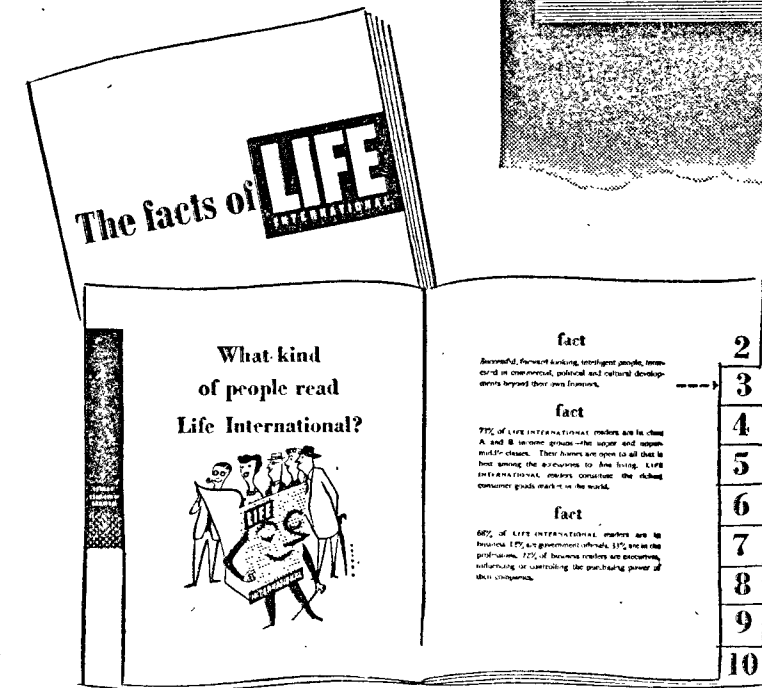
Industry's Disabled

MONDAY'S debate on the Industrial Diseases Bill was an occasion for back-slapping on both sides of the House, with each party trying to claim the credit for the measure. Like all extensions of the social insurance scheme, it was virtually non-controversial among politicians, and the only criticism was that it was not generous enough.

In 1951 the Labour Government introduced, and the Conservative Government carried through, the Pneumoconiosis and Byssinosis Benefit Bill. This measure enables compensation to be paid in certain cases to people totally incapacitated by these two diseases or, if they have died, to their dependants. Workers acquiring the diseases since 1948 are covered by the industrial injuries scheme, and many of those who became disabled before that year obtained workmen's compensation. But there remained some—no one knew how many—who contracted pneumoconiosis before it became a prescribed disease under the Workmen's Compensation Acts or failed to satisfy all the conditions—in particular, because the time limit laid down by the Acts had expired before the disease became manifest. The 1951 Act removed many cases of hardship, but it was still deficient in two respects: it did not provide any compensation for those partially disabled by the two diseases named in it; nor did it cover other cases of prescribed diseases, such as mule spinners' cancer, which may also be slow to develop.

The new Bill fills both these gaps. Benefit will be payable at the rate of £1 a week to the partially disabled, with unemployability supplement and dependants' allowances where appropriate; and the Minister of National Insurance is taking power to apply the provisions of the new measure and the 1951 Act to some other workmen's

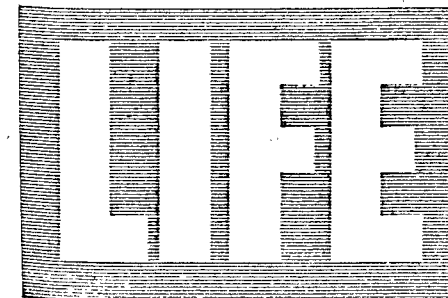
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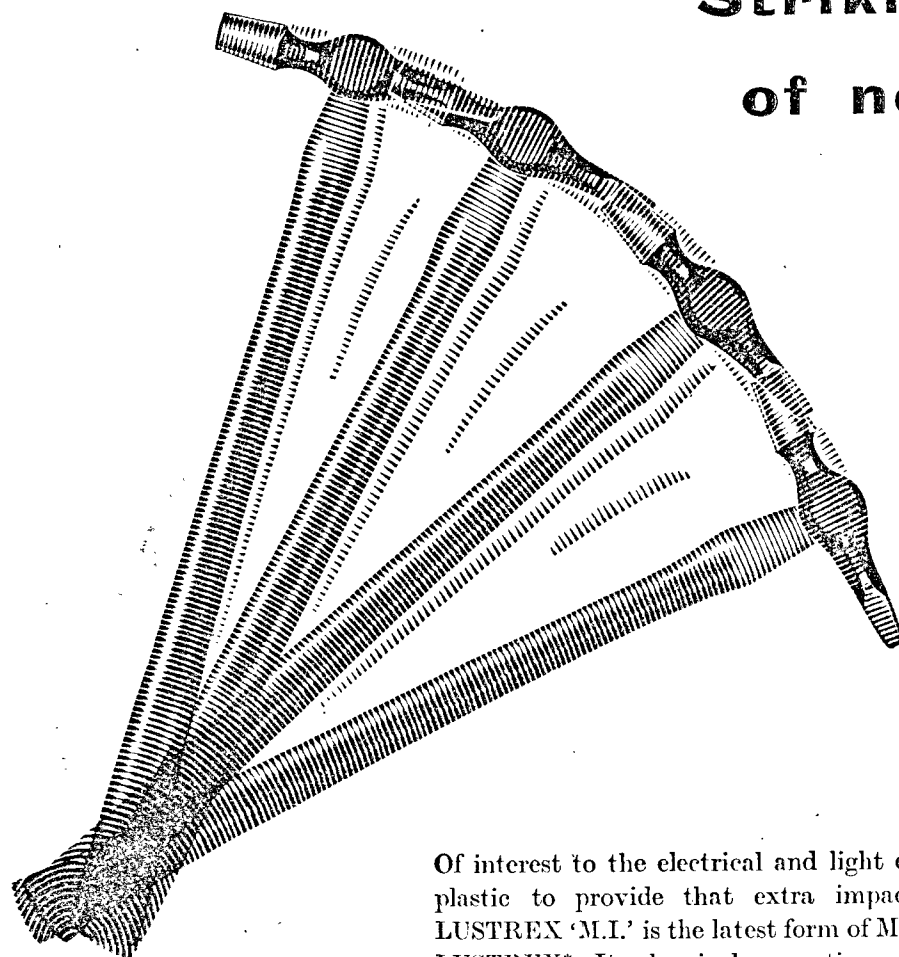
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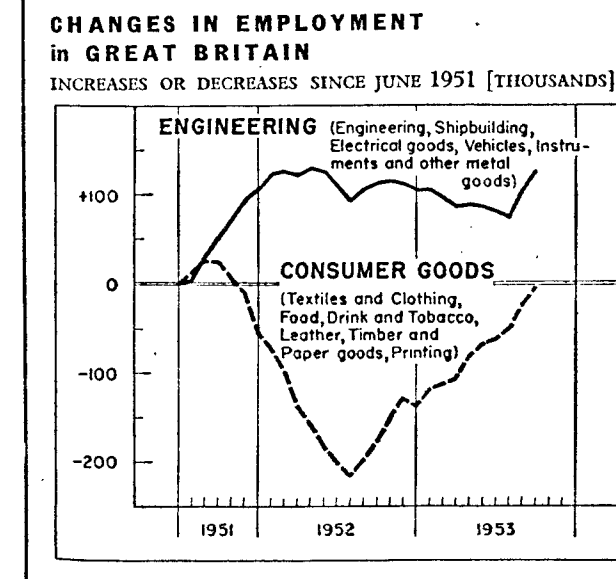


compensation diseases. Many of the partially disabled who will be entitled to benefit will presumably be found among the coalminers of South Wales, who, until this July, were drawing extended unemployment benefit. The cost of providing for these men will thus be transferred from general taxation to the industrial injuries fund. This is of little significance in itself, but Mr Enoch Powell was right to remind the House that since 1948 there have been five measures which have placed additional charges on a fund whose eventual liabilities are still completely unknown.

Far Eastern Triangle

THE North Korean premier, Kim Il-sung, signed this week in Peking an agreement for economic and cultural co-operation between the two countries. China has agreed to cancel all the debts incurred by North Korea during hostilities. Other details are to be worked out by experts, but—according to Hongkong reports—China has already agreed to offer the Koreans as a free gift the equivalent of £114 million, which is to be used over the next three years for the rehabilitation of the country. This is the second important promise of aid that North Korea has received since the cease-fire. In August Malenkov pledged Soviet help to the tune of 1,000 million roubles, i.e. nearly £90 million at the official rate of exchange. Kim Il-sung then travelled to Moscow on a thanksgiving mission.

His visit, coming as it did at the time of the North Korean purges of unreliable Communists, was interpreted then as a Soviet attempt to buy supremacy in a war-ravaged country. It should not be concluded, however, that Mao Tse-tung is now trying to outbid Malenkov. The nominal amount offered, at the official rate of exchange, has little meaning, for what will matter is the actual flow of goods. More important, also, is the fact that China itself is receiving Soviet aid. It was disclosed not long ago that the Russians had finally agreed to increase their assistance and take charge of 141 "great projects" of



Chinese industrialisation. Mao can hardly be expected to afford bidding tricks with borrowed roubles.

Indeed, Soviet economic aid is now probably the key to relations with China in this triangle as elsewhere. After the victory of the Chinese revolution, the Kremlin found itself in the unaccustomed position of having to bargain with a partner. True, this partner is dependent on Soviet support, yet it is too powerful to be bullied into acquiescence. Common interests probably vied from the first with mutual suspicions. The Korean war undoubtedly helped to cement the interests, but the end of shooting may have revived the suspicions. Since Stalin's death Mao's hand has clearly been strengthened. Previously the Russians were most reluctant to send investment goods to China, but now they are apparently willing to contribute a greater share to its Five Year Plan. Mao's future policy must largely depend on his satisfaction with the size and terms of Soviet aid. Kim Il-sung's trip to Peking therefore should be seen as completing the Communist triangle rather than revealing breaches in the Soviet Far Eastern system.

Ceylon Looks for Loans

THE recent visit to London of Ceylon's Finance Minister, Sir Oliver Goontellike, appears to have yielded only meagre results. It seems that he has received no more than an assurance of cooperation from the British authorities in a forthcoming sterling loan operation in the London market, which it is estimated will total £24.4 million. The recent government to government loan of £10 million to Pakistan might have encouraged Ceylon to expect similar treatment. It must have been an additional disappointment to find that the British authorities would not even guarantee the proposed loan.

The Ceylonese should ask themselves whether their economic policies merit any special favours from the British. During 1952 and the first half of the current year the state of the balance of payments was allowed to get out of hand, and as a result external assets were nearly halved. While the Ceylon Government can plead that it was at the mercy of the terms of trade once world commodity prices broke, it did not, until the last budget in July, take any positive steps to put its house in order. But despite the welcome show of firmness in the budget some anomalies remain. For instance, though some cabinet ministers have spoken of the desirability of having foreign investment, all manner of hindrances still exist. Of these the policy of Ceylonisation of trade, though now accepted in principle by foreign firms, causes resentment when over-zealously applied. Again, the reserving to Ceylonese firms of foreign trade with Japan, China, Yugoslavia and Germany creates a bad impression. Furthermore, non-resident companies are taxed at a rate of six per cent more than local firms, and this, though it is a law of longstanding, remains a deterrent to the foreign investor. As a result of all these difficulties foreign capital has tended to move out of Ceylon in recent years. Some positive incentive is needed if it is to be attracted back.

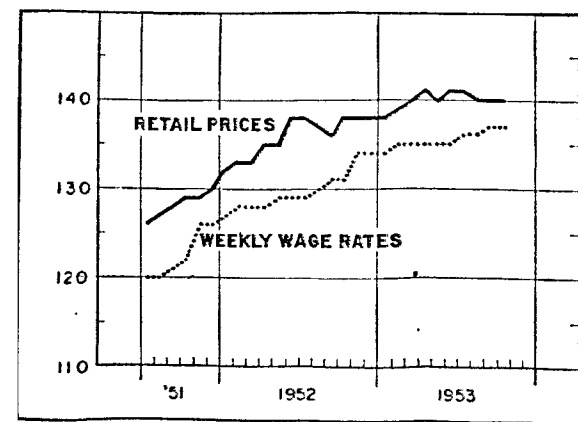
Ceylon's problem of raising finance to pay for its development programme is not made any easier by its disinclination to take American aid; and at the present moment the

International Bank is still considering an application for a loan. It is only natural, therefore, that an approach to the London market should be made up. Although it is fourteen years since the Ceylon Government last borrowed here, its reputation as a borrower is still good. By comparison with the other potential borrowers from the same geographical area it has an enviable record of peace and stable government. But would-be borrowers ought to realise that their economic policies at home must affect their credit-rating abroad.

Moving Pictures

THE Lords had one of their most decorous debates on Tuesday, when the National Art Collections Bill passed its second reading. The Bill has two main purposes: to make the Tate Gallery independent of the National Gallery and to make possible a wider distribution of paintings on loan. The Tate Gallery has no separate statutory existence; all its works of art belong in law to the National Gallery. The present Bill gives it full autonomy and some attempt has been made to define the spheres of the two galleries. The National Gallery should house paintings of established merit of all periods, and the Tate British paintings and modern pictures generally (in fact it also contains modern sculpture). Provision is made for the transfer, by agreement between the two boards of trustees, of paintings from one gallery to the other. If there is no agreement, however, the question will be settled by an arbitration committee under an independent chairman appointed by the Treasury. The Tate Gallery is often caught in controversy—over its attempts to remove the credited masterpieces of the Chantry bequest and even, recently, over its buying policy; so there may well be a need for arbitration. The wording of the Bill would suggest that if a painting is of established merit or by a significant artist, it should be transferred to the National Gallery. On this theory the Tate Gallery's collection of French impressionists would seem ripe for transfer, but there are likely to be objections to that.

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The Bill would also enable the two galleries to lend paintings from their collections to galleries at home and abroad, to British embassies and to Government Houses in the colonies. A Bill to make this possible was defeated by the Lords in 1930, but in 1935 they compromised on British pictures only. One or two speakers in Tuesday's debate remained unhappy about the new concession. They feared damage to the pictures; it had been so convenient to refuse the requests of foreign galleries for, say, Italian masterpieces on the ground that there was no power to make loans. The hard fact has to be faced, however, that foreigners are getting restive about lending their paintings to Britain and having their own requests refused. And perhaps the power to lend, and the power—with Treasury permission—to sell, may somewhat clear the stack of pictures that have been demoted to the cellars of both National and Tate Galleries.

The Aping Hoax

THE man in the street would be more than human if he did not greet with a certain unholy and derisive joy the news that the Piltdown skull—or, more exactly, that fragment which gave the Piltdown skull its special claim to scientific importance—has turned out to be an ingenious fake. The cocksureness of experts (and especially the cocksureness of those who popularise their often tentative findings) rouses the worst instincts of the Philistine, who is accordingly overjoyed when someone successfully pulls the expert's leg. Where the origins of the human race are concerned, moreover, this instinctive delight in saying "Yah!" is, in some quarters at least, reinforced by a wistful fundamentalism. How wonderful it would be if all that evidence, "from scarped cliff and quarried stone," which makes it so awkward to maintain a position on the side of the angels, could be similarly discredited; how edifying to find that an accepted datum, as it were a revered relic of the distasteful evolutionary creed, is in fact a practical joke.

One does not, of course, disprove the existence of Vermeer by pointing to the works of Van Meegeren—a consideration which has brought solace, before now, to other custodians of imperfectly authentic relics. But the real significance of the *Eoanthropos Dawsoni* affair is other than this; for it exemplifies yet once again the genuine morality of science. However awkward a discovery may be, whatever painful recasting of familiar and useful hypotheses it may demand, however many faces it may cause to redden, however much of a handle it may give to irrationalists, the facts that it reveals are sacred and not to be suppressed. If new means of investigation—such as the fluoroscope which was not available to the original investigators of the Piltdown skull—throw a new and destructive light on the evidence, their results are to be publicly and promptly acknowledged; and as each new means of investigation is, in fact, developed, all evidence is properly to be scrutinised afresh. The Piltdown hoax is, indeed, a warning to all who are inclined to forget that science is a matter of suspended judgment and working hypothesis, not of dogma. But its exposure is, more positively, a resounding testimonial to the effectiveness of scientific method and the honesty of the scientific mind.

Letters to the Editor

A Mission to Moscow

SIR—In the passage in your issue of November 21st under the above title: (1) you say that the British Council for the Promotion of International Trade "has associations with the Communist party and its discredited offshoot, the World Peace Movement." Such vague insinuations, which I know personally to be entirely without substance, do not seem worthy of you. (2) The propaganda you refer to is presumably a sheet composed of excerpts from such papers as the *Manchester Guardian*, the *Financial Times*, the *New York Times*, *Le Monde*, etc., selected with a view to showing the advantages of an expansion of East-West trade. These you describe as "spiteful." (3) The British group that attended the Moscow Conference in April, 1952, was not "hand-picked." Invitations were very widespread and the selection of the group depended simply on who did or did not accept. For instance several members of the staff of *The Economist* were invited. (4) You refer to "the official trade agreement." In fact there is at present no trade agreement between the United Kingdom and the Soviet Union. (5) A visit of British business men to Moscow has been proposed because both the business men concerned and the trade organisations of the Soviet Union consider that such a visit at the present time would be helpful in promoting trade. The organisation of business between a private enterprise and a planned economy presents certain technical problems which the method of group visits seems to be a useful contribution to solving, as indeed, you appear to agree, was shown by the recent group visit to Peking.—Yours faithfully, JOAN ROBINSON

[(1) After carefully checking the facts, we have no doubt whatever that the B.C.P.I.T. has associations with the Communist Party. (2) We do not think that any impartial person who reads the propaganda put out by the Council, with its careful dredging up of every scrap of anti-American dirt that can be found, would question our use of the word "spiteful." (3) The British group that attended the 1952 conference was hand-picked in the sense that conditions were laid down for the conduct of the conference which many of the invited were unable to accept. (4) The long-term trade agreement between the United Kingdom and the Soviet Union, which was signed in Moscow in December, 1947 (TS 34-1948) is still in force. Furthermore, a number of commodity agreements have been signed from time to time in recent years. (5) is a matter of opinion; we see no reason to change our view that a private visit to Moscow will serve no useful purpose.—EDITOR.]

Jute: A Test Case

SIR—Two points in the article published in your issue of November 21st call for comment. In so far as the present method of protecting Dundee jute manufactures raises the packaging costs of British exports it is bad in itself, and particularly bad at the present moment when those exports are facing fierce price competition. But in any examination of the cost of exports there are many items that require to be looked into before we come to packaging. Secondly, it is difficult to follow why there should be "desperate and localised unemployment in Dundee" if the present dubious method of protection were withdrawn. The Dundee industry's problem is shortage of labour. Two days before your article appeared it was announced that in order to attract women to work as spinners and weavers a Dundee jute firm had decided to ask mothers to bring young school children with them to work. The firm promised to "give the children breakfast, see them delivered to school, collect them, give them tea and have them ready for taking home by their mothers at 5.30 p.m." And so to bed.

The long-term task for the industry in Dundee—as it is for the industry in India and its young competitor in Pakistan—is to make jute goods cheap enough to withstand the competition of the numerous small local manufacturing units which have grown up in Europe, Asia and Africa since the war and to meet the challenge of substitutes, particularly paper. This will not be achieved by creating artificially sheltered conditions, either in Dundee or in Calcutta.—Yours faithfully, GEOFFREY TYSON

Post-Emergency Regulations

SIR—The Note in your issue of November 14th errs in more than one respect.

It speaks of 97 Regulations surviving under the Supplies and Services Act and another 22 under the Emergency Laws Act; whereas there will be only 97 surviving under both together.

It quotes the White Paper's admission that "much remains to be done," but suppresses the information in the next sentence but one that, "The current session's programme includes several Bills designed to replace emergency powers." Might it not have been helpful to note that the Food and Drugs Amendment Bill alone revokes (except so far as they extend to Northern Ireland) the whole of the Defence (Sale

of Food) Regulations, 1943—a code containing as many as nine of the surviving 97 Regulations. In this connection, you might have a careful look at some of the repeals provided for under other new Bills already published, e.g., the Housing Repairs and Rents Bill, the Currency and Bank Notes Bill, the Inventions and Designs (Crown Use) Bill and the Licensing (Seamen's Canteens) Bill. You might be pleasantly surprised.—Yours faithfully, P. GOLDMAN

London, N.W.11

The Worth of a Judge

SIR—A Note in your issue of November 14th develops the theme that "the Government is not playing fair with the judges." If the Government were not prepared to give the judges an increase in taxable emoluments producing, after tax, roughly the same amount of additional spending power as would have accrued from the original proposal to increase salaries by £1,000 a year tax-free, then it would have been possible and just to give some compensation for the reduction by way of an increase in the rates of pension, which are left unaltered. They provide for Judges of the Court of Appeal and the High Court pensions of £3,500 a year.

A pensionary increase of the order of £500 to £1,000 a year would seem reasonable in the light of the high rate of income tax and sur-tax that it would attract and of the fall in the purchasing power of money since the pensions were fixed at the present rates. Moreover, an increase might act as an inducement to retire when with advancing years the strain of service on the Bench may become excessive.—Yours faithfully, PUBLICUS

Banking in Latin America

SIR—There would seem to be an error in your correspondent's description of banking arrangements in Argentina published in your recent International Banking Survey on November 14th. As you mention, the relevant legislation "nationalised" deposits, which henceforth were to be received by the commercial banks merely as agents of the central bank and it was thereby made impossible to augment loanable resources as a result of an increase in bank deposits. But it has not been true that "they could make loans to their private customers only from their own funds (that is, their own capital and reserves)," since they were at the same time granted rediscounting facilities at the central bank and could thus "monetise" their holdings of securities acquired against their own loans and employ these funds for further and proportionately increased lending. There was, however, no necessary relationship between the re-discount facilities afforded to a particular bank and any increase in deposits received by that bank as agent of the central bank.—Yours faithfully, J. S. G. WILSON

Shortlands, Kent

Books & Publications

Getting Things Done

POWER AND INFLUENCE

By Lord Beveridge.

Hodder and Stoughton. 448 pages. 30s.

THIS is a most important historical document. It is the story of a crusade, conducted by the procedures of minute and memorandum, committee and commission, and through administrative and academic hierarchies. As such, it is an illuminating study of the physiology of Government; of the way things get done; of what works and what does not work; of the relation between Power and Influence, between the ability to give to other men orders enforced by sanctions (legal or economic) and the ability to change their actions by persuasion.

It is also, of course, a straight historical narrative, a mine of fresh information on the genesis of social security and innumerable other events of the last half-century. Only in a very limited sense is it an autobiography. It begins with the young William Beveridge leaving Oxford and making a false start in the law; settles down to its main theme as, in 1903, he joins the staff of Toynbee Hall and finds his vocation; and virtually ends in 1945, when the author of the Beveridge Report found himself unprecedentedly cut off from the seats of power and the reality of influence. There is no prologue and only the briefest of epilogues; there is never—unless between the lines—a recognisable self-portrait. Lady Beveridge has in course of preparation a book entitled "Beveridge and His Plan" to which readers of the present volume are, from time to time, referred. Such a biographical division of labour may have its advantages, but "Power and Influence" is, in the meantime, the loser. For personality is supremely relevant to Lord Beveridge's theme. One may win power by accident and wield it by brute force; influence can only be won, and must continuously be wielded, by personal impact.

Some of the abilities and character traits which gave Lord Beveridge influence stand out clearly enough. Integrity is there: the intellectual integrity which would never fudge an answer; the personal integrity which would never seek a personal gain. These things inspire the trust which influence requires. Sheer brainpower is there: the intellectual ability to grasp and order masses of factual evidence; the practical ability to frame the articulations of a working administrative machine; the gift of clear statement. So is the devoted and indefatigable capacity for hard

work. There is, also, the knack of knowing which, among a tangle of wires, it will pay to pull, and just when to pull them. But the process by which these gifts were developed or acquired is never discussed; nor does Lord Beveridge ask himself why they occasionally, and at last decisively, let him down. A brief and bitter quotation from Tacitus rounds off the story of the Beveridge Report. The bitterness is understandable, but does an imputation of "envy or fear" credibly fit the human personality of Sir Winston Churchill? The paradoxical fact is that Lord Beveridge, champion and exponent of democratic and persuasive processes, is not interested in personality as such. The characters of his narrative are faceless, colourless, two-dimensional—one is tempted to say one-dimensional, as are lines of force or the wires that one pulls.

Here, perhaps, is a clue to the element of frustration in this story of splendid achievement. Leadership, Lord Beveridge has said, is the ability "to make common men do uncommon things." It is a significantly ambiguous definition. For leadership, thus defined, may be no more than the breaking up of complex tasks into simple processes needing no special gifts for their accomplishment; that is the job—difficult, exacting, enormously important—alike of the production engineer and of the practical administrator. But leadership can also be something quite different, a communication of purpose, a contagion of greatness; and for that, individuals must be seen as something other than lines of force. In the first sense Lord Beveridge is a leader second to none. His closing chapters show what happened when, pardonably enough, he came to believe that he had powers of leadership in the second sense also. The reader of his narrative, fascinated by tracing the sequence of events, following his guidance through the back premises of government, remains in the end baffled, meditating the qualities and limitations of the rational progressive, on tides in the affairs of men, and—just possibly—on hubris and nemesis.

Sheer Hulk

THE GREAT IRON SHIP.

By James Dugan.

Hamish Hamilton. 224 pages. 16s.

THE stuffy will say that this is no way to write economic history. "Here for the first time," barks the jacket, "is the full and incredible saga of the *Great Eastern*—the mighty vessel built over a century ago which dwarfs

all but the largest of today's ocean liners . . . the ship that killed her designer, drowned her first captain"—and so through a list of fantastic achievements and disasters to end in shame as a floating circus. This smacks of Hollywood rather than the University, hot air rather than cold fact. But for once the blurb tells the truth. Mr Dugan has written an extraordinary book that fills out the legend of the *Great Eastern* into a cinematic account of the birth, life and death of an extraordinary ship.

She was a ship conceived far ahead of her time by the genius of Brunel—"a technological explosion" set off by the Great Exhibition; 692 feet long and 120 feet wide and not outbuilt for half a century; intended to carry more passengers than the *Queen Mary* and driven by a bigger screw; woefully underpowered even with engines capable of producing 11,000 horsepower; and brilliantly designed with a double hull and without ribs. To this conception, Brunel attracted £600,000 of solid Victorian risk capital, and held out the expectation of a 40 per cent annual return. It was the first instalment in a long history of raising the wind, bankruptcies and ruinous losses. John Scott Russell, ironfounder and shipbuilder at the Isle of Dogs, ruined himself in building the ship; Brunel exhausted all his fantastic energies in launching the monster sideways into the Thames—it took him four months—and was killed by the news of an explosion on the *Great Eastern's* maiden voyage.

Disaster, loss and death attended the leviathan throughout her life until towards the end of the century she was broken up, a hopeless, huge drab. There was much that was ignoble in her history, and the brash enterprise that produced the ship would have stood no chance today; Brunel and Daniel Gooch were not easily defeated, but they would certainly have found the Companies Act too much for them. They also missed many chances—failing to see the easy money that could be earned in carrying emigrants to America and in bringing cotton from the South through the Union blockade in the Civil War. The *Great Eastern* taught many expensive lessons about the size, power and management of ships which other ship-owners quietly absorbed gratis. When she was a demonstrable failure in the passenger trade, she found an historical vocation in laying the Atlantic cable and the all-red telegraph to India. And she finished as a floating fair ground and advertisement hoarding in the Mersey, yielding the only profit of her career to the shipbreakers who bought her.

There are stories galore here, and Mr Dugan tells them all with gusto, applying his brisk journalism to the solid products of research. It is the life story of a brassy, oversized lady, and such extraverts are often no better than they ought to be. But she fought for birth, and fought mishap after mishap for survival—the vulgar, madly adventurous and yet, as it now seems, good-natured great aunt of the British passenger fleet.

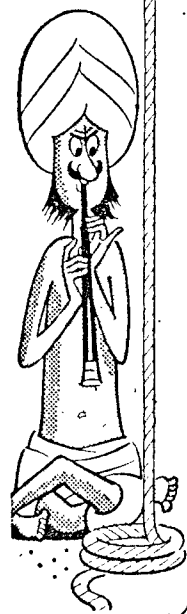


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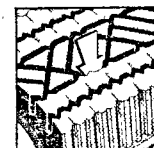
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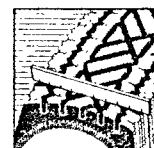
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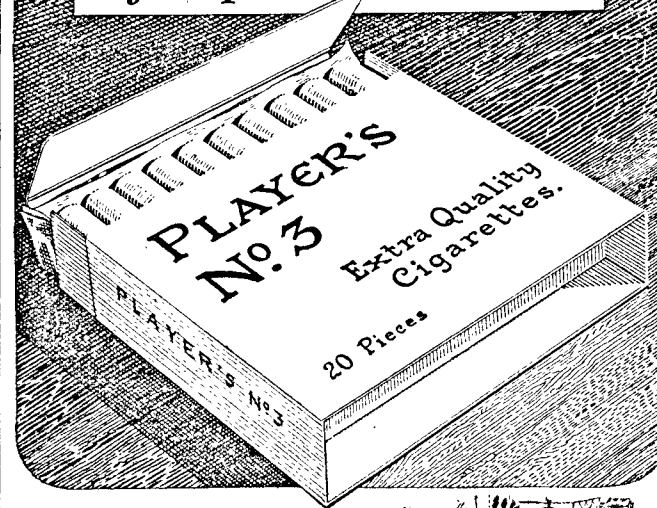


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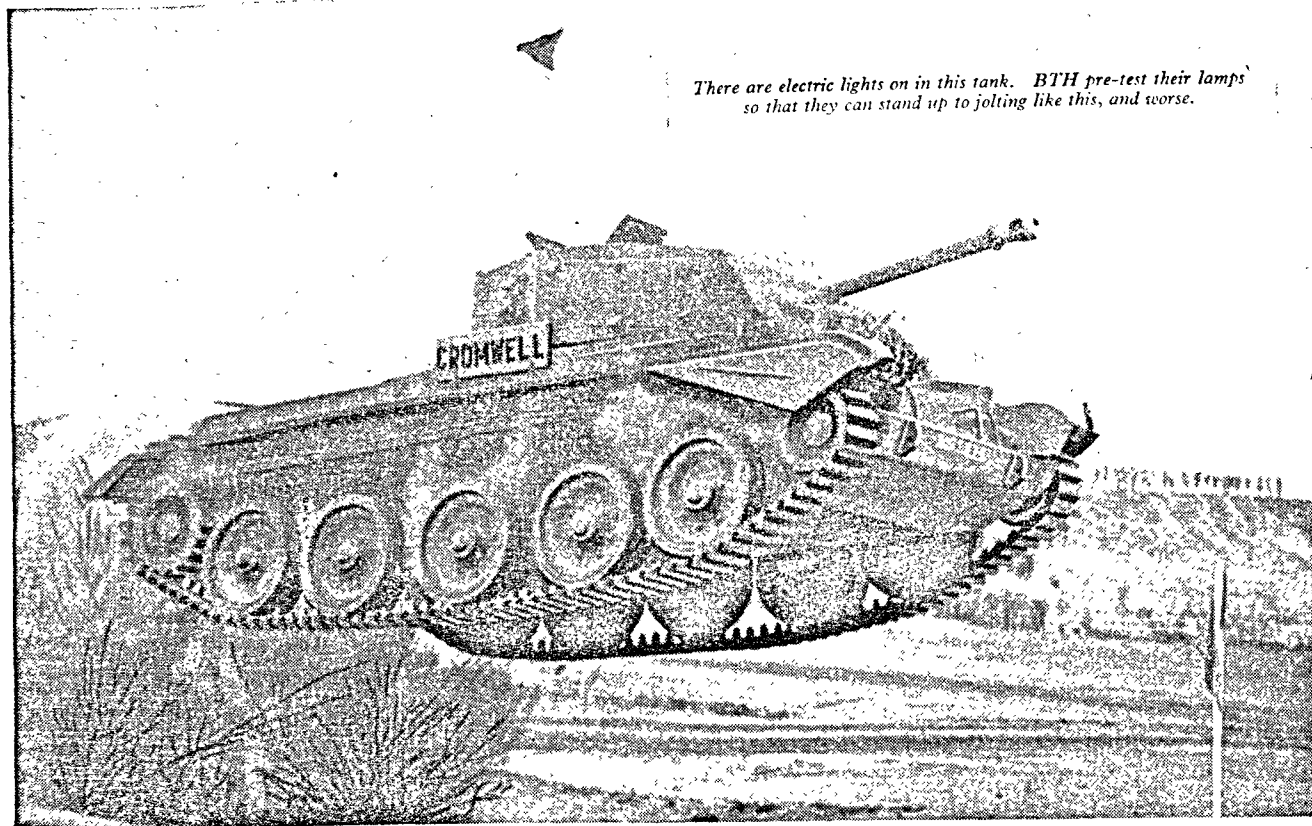


PLAYER'S
No. 3

The Quality Cigarette



[3P 119]



There are electric lights on in this tank. BTH pre-test their lamps so that they can stand up to jolting like this, and worse.

THE SAME RESEARCH and manufacturing resources which produced the first jet engine of Whittle design and the electrical power system of the Comet are also behind Mazda lamps.

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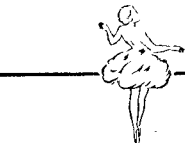
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Case History of Freud

SIGMUND FREUD: LIFE AND WORK: Vol. I: *The Young Freud*.

By Ernest Jones.

The Hogarth Press. 454 pages. 27s. 6d.

THIS is a sober, year by year account of Freud's early life, in which the detail of events is from time to time interrupted by a speculative interpretation in the traditional psychoanalytic vein. Only vaguely behind it all can one discern the massive proportions of a mind which has had more influence than any other upon contemporary psychological thought. The trouble is that biography is an art, revealing the structure of a personality by all sorts of emphases and exclusions. A case history is something quite different: it is a flat laborious chronicle; and even a case history with marginal notes, like the present volume, is no more than the raw material out of which a biography might be made.

This does not mean that Dr Jones has done something that was not worth doing. Reliable material about Freud's life has been difficult to discover, and past controversies have left their distortions and legends behind. Now the facts are available, and all must admire the devotion and industry that have brought this about.

The present volume is concerned with only the first half of Freud's life, from his birth in 1856 to the turn of the century. What may well impress the reader coming to it from a study of Freud's later writings is the amount of work in neurology and allied fields that preceded the development of psychoanalysis. This organic approach was never superseded and shows itself again and again throughout Freud's writings. It is a great misfortune that so many of his followers have failed to give it due weight. For instance, as late as 1925 Freud said:

From a clinical standpoint the (actual) neurosis must necessarily be put alongside the intoxications and such disorders as Graves' disease. These are conditions arising from an excess or a relative lack of certain highly active substances, whether produced inside the body or introduced into it from the outside—in short they are disturbances of the chemistry of the body, toxic conditions. If someone were to succeed in isolating and demonstrating the hypothetical substance concerned in neuroses, he would have no need to concern himself with opposition from the medical profession. For the present, however, no such avenue of approach to the problem is open.

There is a world of difference between this view of psychoanalysis as provisional and temporary and the rather authoritarian attitude adopted by some of Freud's disciples. Speaking of himself Freud says:

I am not really a man of science, not an observer, not an experimenter, and not a thinker. I am nothing but by temperament a Conquistador—an adventurer, if you want to translate the word—with the curiosity, the boldness and the tenacity which belongs to that type of being.

The social scientist may not find much to interest him in this book, but it

might nevertheless be good for him to read it, and to realise that the social and the natural sciences are not really so far apart as they sometimes seem today.

One complaint seems justified. One has grown used in psychiatric literature to a certain clumsiness and abstractedness that betray the Central European origin of many of our distinguished psychiatrists. Dr Jones has no such excuse, yet he sometimes falls into this style. But it would be unkind, when so much of solid value is presented, to stress unduly the defects in its presentation.

Too Many Documents

IMPERIAL CONSTITUTIONAL DOCUMENTS 1765-1952.

By Frederick Madden.

Basil Blackwell. 91 pages. 8s. 6d.

THIS little book is the fifth or sixth collection of documents illustrating imperial and commonwealth history to be published in the last few months. It is the slightest and narrowest of them all. As Dr Madden says in his preface, his selection makes no claim to originality; the themes he illustrates—the attempted reform of the first Empire between 1765 and 1766, the institutional development of colonial responsible government and dominion status, and the position of the crown in parliament in the dependent Empire—are all three well enough documented already. His sole purpose apparently is to serve the convenience of Oxford students in the Modern History faculty which has prescribed these particular sources for study; and to supplement Mr Berriedale Keith's "Select Speeches and Documents on British Colonial Policy 1763-1917" and his "Speeches and Documents on the British Dominions 1918-1931." Mr Madden has carried out a parochial task conscientiously.

Out of this deluge of Imperial documents of mainly constitutional significance, a mere reviewer may well ask what some of our imperial historians think they are doing. Documents are essential no doubt. Editing is tiresome and exacting work and we are thankful to those who do it. And, of course, the wartime gap in published documentation has to be filled. But the empire-commonwealth consists in something more substantial, one hopes, than constitutional relationships. Investment, trade, migration and power are the stuff of national expansion and the law books and speeches are mere commentaries upon them. If we must have more documents let them be about the commercial and political substance. There is something more also to historical scholarship than collecting data. Sufficient stock-piles of facts and sources have been assembled already to overwhelm the conventional framework of interpretation; and it is to be feared that these materials will lie about as rubble until imperial historians raise a stronger, broader structure of ideas about the historical process of European expansion.

Figures and Charts

ECONOMIC TRENDS. No. 1. November, 1953.

Central Statistical Office.

HMSO. 25 pages. 2s.

THIS new monthly publication is designed to make life easier for all who want to keep up to date with the British economy. From the rather indigestible mass of statistics presented in the *Monthly Digest*, the government statisticians have selected what they consider to be the key indicators, making just over a hundred series. These are illustrated in a gallery of neat charts while at the same time the actual figures are also given. The booklet is half-charts, half-tables.

Statistics are still judged by the general public as being able to prove anything. This new publication may help to allay some of the suspicion. In design it is attractive; employment, production, consumption of raw materials, trade, finance and prices—their movements can be followed easily in these simple pictures. Only here and there will there be a wistful glance to the booklet's American counterpart. The British economist has still to make do without any official up-to-date estimates of the gross national product. Much less, too, is known about stock changes. But these are deficiencies in the actual statistics not in the simple presentation of existing material which is the object of this publication. In this respect it succeeds admirably.

The Logic of British and American Industry

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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.

Changing Patterns in Credit

FROM A CORRESPONDENT IN NEW YORK CITY

RISING prices (and of course declining yields) in the government bond market seem to be depriving the Democrats of one of their chief complaints against the Eisenhower Administration. This is that higher interest rates on Treasury issues were a reward to the bankers, who are presumably now back in the temple from which the New Deal drove them. But since early June, when prices of Treasury securities reached their low points, the $3\frac{1}{2}$ per cent 30-year bonds, which were issued in April as the first step in the programme of lengthening the maturities of the debt, have advanced from just under 99 to a fraction above 104. The 91-day Treasury bills, sold in early June at prices to yield a rate of 2.4 per cent, have since sold as low as 1.2 per cent and are still well below 1.5 per cent.

Last week the Treasury, which had paid $2\frac{7}{8}$ per cent for $3\frac{1}{2}$ -year money in September, found it easy to obtain 5-year money at $2\frac{1}{2}$ per cent. Finally, after selling three successive one-year certificate issues at $2\frac{3}{8}$ per cent (in June, August and September), Mr. Humphrey, the Secretary of the Treasury, has now had no difficulty in putting out similar paper at only $1\frac{7}{8}$ per cent. Indeed—and this may be even more significant—the certificates are selling at a premium.

These developments have spiked the guns of the Democrats, who have also lost their only potent allies in the business world, the builders and mortgage brokers. The latter had, until recently, been complaining bitterly that there were no funds available for mortgage lending (by which they meant funds at government-aided low rates). Their complaints, which the Democrats were delighted to echo, have now died away completely; two weeks ago an annual convention of mortgage brokers showed every satisfaction with the demand for their paper from insurance companies and savings banks. These institutions have apparently begun to resume the practice of entering into forward com-

mitments to accept mortgages on houses still to be built.

There is little doubt that the tapering off, or modest decline, in business activity has played a large part in strengthening the bond markets. This is not so much because of any significant reduction in the demand for funds being made upon the capital market—for there is none as yet—as because of the expectation of a reduction to come. The Federal Reserve system has also helped by keeping the banks, and thus at least the short-term money market, in an easy position. Spokesmen for the central bank have explained that at a time when the economy is going through a period of adjustment, if not mild recession, the monetary authorities must make sure that any error

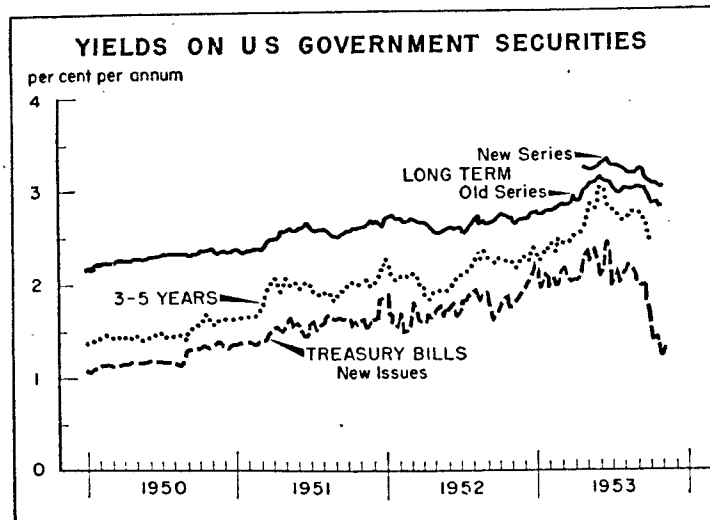
of judgment is on the side of too much ease rather than too much tightness.

This attitude has reinforced the confidence of investors in both shares and bonds; since the middle of September the Dow-Jones average of industrial shares has risen about 20 points, while the Treasury $3\frac{1}{2}$ s, due in 1978-83, have gone up $3\frac{1}{2}$ points. As one shrewd observer of the markets has pointed out in a letter to his customers: "This is pretty fast going for either index." He notes that the confidence of investors

appears to rest mainly upon the idea that the Administration is afraid of deflation, and is doing and will do everything possible to start up a new round of inflation. But, he goes on,

the bond market reaction is that these efforts will not be successful at any time soon, so that we must look forward to a considerable period of steadily falling interest rates. The stock market, on the other hand, seems to say that these efforts really will be immensely and quickly successful, so that prices and profits will again move sharply upward. Both cannot be right at the same time.

There is certainly still some reason to doubt whether the Administration or the central bank, or both, are committed



to a policy of easy money, deliberate budget deficits, and the other stimulants for a faltering economy. Both the Budget Director and the Secretary of the Treasury are still stressing the need for new taxes to balance the budget for 1954-55. As for the Federal Reserve system, it is true that it did purchase government securities in the open market all through September—thus giving the banks reserves at a time when interest rates were falling rapidly—but it ceased its purchases for at least three weeks in October, and apparently allowed the "slack" to be taken up by normal seasonal factors.

The job of forecasting the nature and extent of these seasonal changes seems to be exceedingly difficult this year, and this may account for some of the central bank's indecisiveness. During the latter half of a year there is, of course, a seasonal expansion in the demand for bank credit, reflecting crop harvestings and movements, holiday shopping, and so on. In the last six months of 1952 bank credit rose by almost \$5 billion. Three-fifths of the increase occurred between July and October. For the same four months this year, the rise is barely half this \$3 billion. Even the present lower prices for crops, the slackening off in business activity, and a more cautious inventory policy do not seem to justify so large a drop in the need for bank credit.

★

Some bankers are therefore looking back to the spring months, when the seasonal decline was smaller than usual, for the explanation. They say that the Mills plan for accelerating the payment of corporate income and profits taxes has tended to even out the seasonal changes in the demand for credit. Corporations this year paid 80 per cent of their taxes in the first half of the year; next year they will pay 90 per cent, leaving only 10 per cent to be paid in the last six months of 1954.

The Federal Reserve Bank of New York suggests, in the November issue of its *Monthly Review*, that some of the borrowing in the spring months might have been caused by a desire on the part of some businessmen to obtain credit, even if they did not need it at once; they feared it would be scarcer and more expensive later in the year. The bank also notes that some crop financing may not have gone to the banks, but, because of low prices, may have found its way directly to the Commodity Credit Corporation, which carries out the government's farm price support policy. If this is what has happened, it may be that bank credit will yet be used, for the CCC has already sold \$360 million of "participation certificates" in these crop loans to the banks and it has announced it hopes to sell another \$600 million or so by the end of the year.

Other kinds of bank loans are also failing to show increases comparable with those of last year. Property loans have risen only half as much as they did last year, for example, while consumer loans at banks have not expanded at all. In 1952 they rose by more than \$400 million. Sales finance companies, which borrowed some money from the banks last year, have repaid more than \$200 million since the middle of this year.

The purchases by the Federal Reserve system of some \$500 million of government securities since early July are much smaller than the amounts it bought in the comparable months of last year. But with the demand for bank credit lower, they have helped to produce an easy money market. As a matter of fact, the credit extended by the central

bank since the middle of the year has not even offset the losses of reserves sustained by the banks because of an outflow of gold and a rise in the circulating currency. In short, it remains to be proved that the central bank has embarked upon a policy of really making money easy, however probable it may be that it is determined money shall not become tight. But perhaps the securities markets are saying that this is a distinction without a difference.

Rural Recession

FROM A CORRESPONDENT IN CHICAGO

WHILE the fall in farm incomes, resulting mainly from the fall in farm prices, and the high cost of preventing them from falling still farther are a major political problem in Washington, the secondary economic consequences of this decline do not seem to be causing as much concern there as perhaps they should. This may be because the economic analysts have become accustomed to a decline that has been going on for nearly two years and take more interest in studying more recent storm signals. But in the middle west the manufacturers and salesmen of farm machinery, fertilisers, building materials, electrical appliances and other products are certainly feeling the effects of the downward trend in agricultural income.

These have been accentuated by the continuous rise in the cost of things the farmer buys. This year the actual purchasing power of American farmers will be smaller than at any time since 1941, according to the estimates of the Department of Agriculture, and it is not surprising that farmers are holding on to their dollars harder than at any time since then. The president of the Allis-Chalmers Manufacturing Company, a leading producer of tractors and farm implements, has said:

All business is going to be slow until farmers begin buying again. The country cannot have a high level of general prosperity without a prosperous agriculture.

History supports this statement—depression on the farm was the forerunner of the great depression of the nineteen-thirties—and so do statistics. Even though the number of people living on farms has been declining while the total population has been increasing, there are still 25 million Americans on farms. Even though agriculture's contribution to the national income has not risen proportionately with the growth in that income, last year nearly \$19 billion of a total national income of \$266 billion came from agriculture, compared with just over \$8 billion of a total of \$86 billion in 1929.

The farm machinery industry has probably been harder hit than has any other by the drop in spending by farmers. The International Harvester Company, the world's largest maker of farm equipment, experienced a decline of 8 per cent in sales of tractors and implements during the nine months that ended on July 31st. Smaller manufacturers have suffered even more. The Minneapolis-Moline Company estimates that its farm equipment business in the year that ended on October 31st was off by 18 per cent from the preceding year. The total value of retail sales of all kinds of farm machinery in 1953 will probably fall to about \$1.6 billion, a 16 per cent decline from 1952.

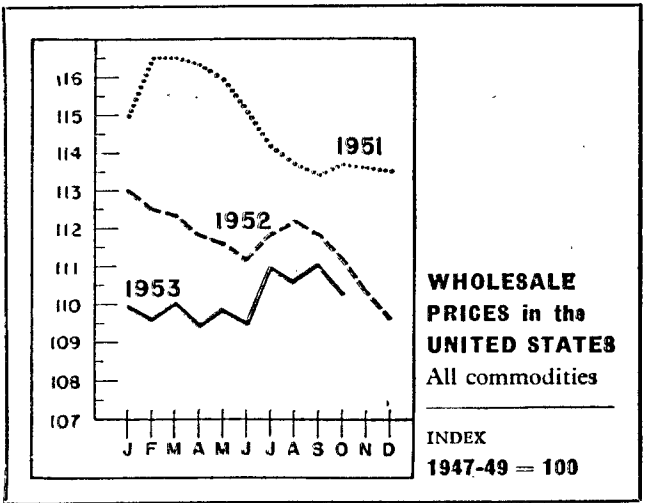
The heavy sales of farm machinery after the end of the war are partly to blame for the slow demand for these

Tax Tug-of-War

ABOUT the middle of December leading Congressional Republicans will go to the White House to hammer out a legislative programme which the President hopes will whistle through next year's abbreviated session. Most Republican realists agree that the party dare not face the mid-term elections without a more substantial record of achievement. But on one of the most awkward problems, that of spending and taxes in the year which begins next July, the Administration itself may have trouble in reaching a united front. Mr Humphrey, the Secretary of the Treasury, is said to be determined, if he cannot have a balanced conventional budget, that he will have a balanced cash budget, that is, one which balances when the \$4 billion or so income of government trust funds is included in the general revenue. That would mean a book-keeping deficit no larger than that predicted for the present year, although some tax reductions are due to go into effect on January 1st.

To achieve this, Mr Humphrey is said to have fixed his sights on a cut in spending of about \$6 billion, most of which would have to come out of security spending on defence, foreign aid, and atomic energy. Together they account for \$50 billion of this year's estimated expenditure of \$72 billion. Mr Wilson, the Secretary of Defence, has already promised a reduction of \$2 billion, but he is digging in his toes against deeper cuts which might endanger the national security. The brunt of any new economies may therefore fall on foreign aid.

The proposed reduction of \$6 billion in expenditure, of which the press got wind, and which Congressional Republicans would probably be delighted to approve in election year, would be more than enough to compensate for the tax reduction which takes place on January 1st. This is estimated to cost \$5 billion in a full year—assuming the same level of incomes—but only \$3.6 billion in 1954-55. But a wider margin is needed to cover the cost of reforms in the Internal Revenue Code. These are being studied by the Treasury and the Joint Congressional Committee on Internal Revenue Taxation; the cost is put at from \$1.5 billion to \$2 billion, even though the Treasury feels it must go slow in relieving certain burdens which it is convinced, in principle, are stifling business expansion. Among the proposed changes are a start toward eliminating double



of evidence connecting him with Communist espionage activities, the limelight was turned away from Mr McCarthy's current investigations of espionage in the Army Signal Corps and at plants belonging to the General Electric Company. Instead attention was concentrated on Senator Jenner's rival Internal Security Subcommittee, which the Administration favours because its methods are more restrained and conventional than those of Mr McCarthy's committee.

Senator McCarthy's reaction was so violent that it would seem impossible for the President to ignore it, were it not for the fact that he has often in the past managed to overlook the Senator's insubordination. This time, however, Mr Eisenhower is obviously uncomfortable at the political and moral turn the White case has taken. He has said that he hopes the chairman of the Republican National Committee is wrong in thinking that Communism in government is still going to be a live issue when the 1954 elections come around. And this week the President denounced "character assassination" and defended the right of Americans to meet their accusers face to face.

The President must be concerned, as are Mr Dulles and Senator Wiley, at the damage being done to American prestige abroad by allegations of Communism at home. More definite injury to American foreign relations was threatened when Mr Brownell quoted a secret letter from Canada to the Jenner committee and when that committee demanded that the Canadian government should allow Mr Gouzenko, the former Russian embassy clerk, to testify before it. The Canadian government, after refusing once, has now agreed that Mr Gouzenko may be questioned, provided that the evidence is not published without its permission. This condition does not appeal to Senator Jenner, who is trying to track down Communist spies whom he believes are still at work in the United States.

Whatever the President may hope, Mr Jenner certainly intends to keep the Communist issue alive for most, if not all, of next year and so does Mr Brownell. For he has forecast that there will be a number of spy trials if Congress removes the prohibition on the use of evidence obtained by tapping telephone wires; supposedly the indictment not only of White but of other, still living, suspects was impossible because the conclusive evidence was obtained by this method. Another piece of legislation which Mr Brownell wants and which also raises the whole question of constitutional liberties is that granting immunity from prosecution to witnesses who confess to Communism or espionage before Congressional committees.

In such an atmosphere the prospects of the President's legislative programme in the next session of Congress are poor. For the breaches in the Republican party will be widened rather than narrowed and the Democrats will not now feel inclined to support an Administration that has launched an unprecedented personal attack on their former leader. Their present leader, Mr Stevenson, has just warned President Eisenhower that, if he continues to allow his lieutenants to divert his "great crusade" into McCarthyist channels, then he will lose the support of the American people. For, says Mr Stevenson, "we are not frightened, frustrated brutes" but "calm and confident, united by the vast majesty of freedom" and therein lies the opportunity of the Democratic party.

sales pick up. Steel mills find that farmers have trimmed their purchases of fencing. One of the country's largest suppliers of wire for this purpose says that sales of this product last summer were 25 per cent below a year ago.

Other industries that sell to both farmers and city people are being hurt by the letdown in rural spending. The world's two largest mail order houses, Sears, Roebuck and Company and Montgomery Ward and Company, reported that October sales showed the sharpest decline of any month since early 1952. Both obtain a substantial amount of business from farmers. Of the two, Montgomery Ward leans most heavily on the rural market for its sales: Sears' October sales were 7.8 per cent below a year ago, while Ward's were down by 15.5 per cent. Farmers are buying furniture and electric appliances sparingly and less money is being spent on farm houses, barns and other buildings. Non-residential construction hit a record \$875 million in 1951. It slipped by \$15 million in 1952, and a West Coast lumber company that sells to farm areas says that there will be another drop of \$15 million or more in 1953. When a farmer wants to economise he cuts back on farm improvements in a hurry.

As yet the reduction in spending has not had much effect on the standard of living of farmers, a standard which has risen most strikingly in the last ten years. The countryside is generously sprinkled with such signs of affluence as television antennae and freshly painted buildings. Business firms, which sell food and clothing to farmers report that their sales are comparing favourably with last year. For instance, the Independent Grocers' Alliance, an association of 5,300 food stores, 60 per cent of which are in rural areas, says its sales are running 18 per cent ahead of last year. But to achieve this, farmers have been forced to dip into some of the savings put away during the lush war and postwar period. The Department of Agriculture figures that farmers will be about \$800 million, or 5.1 per cent, deeper in debt next January than they were at the outset of 1953. Farmers, in fact, are living off their fat at present; since most of them have plenty of it, there is little to worry about as far as they are concerned. But, from the point of view of the national economy as a whole, it is to be hoped that those who claim they can see the end of the farm recession are right.

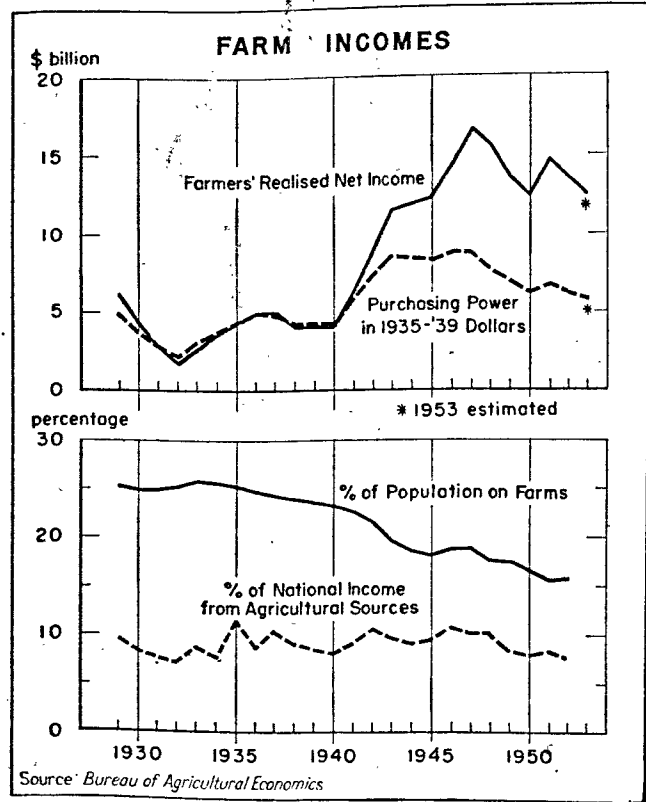
American Notes

McCarthy Declares War

SENATOR MCCARTHY used the occasion, offered to him by the wireless and television networks in order that he might reply to Mr Truman's defence against the White charges, to declare war on the Eisenhower Administration which had dared to trespass on the Senator's territory in making those charges. When the Attorney-General, Mr Brownell, accused Mr Truman of having appointed Harry Dexter White to the International Monetary Fund in spite

products now. Farmers are so well supplied with relatively new machinery that they can postpone purchases. These figures tell the story: of the tractors now on farms, 69 per cent are postwar models; the same is true of 61 per cent of the combines, 77 per cent of the maize pickers and 86 per cent of the automatic hay balers. With fewer dollars to spend, farmers have more incentive to make do with their present machines. A farm equipment dealer in a small southern Illinois town tells about a farmer who recently bought \$100 worth of parts to repair a combine: "Last year, he wouldn't have put that much in an old machine; he'd have bought a new one."

The slowdown in sales of farm equipment affects many other parts of the economy. Firms that supply the industry with such products as steel, castings and tyres are getting fewer orders and retail trade is suffering in cities where employment in agricultural equipment factories has fallen off. This month a survey by the Farm Equipment-United Electrical Workers' Union showed that farm



machinery plants in the midwest had laid off nearly 47,000 employees during the last six months.

The \$1 billion-a-year fertiliser industry is another that is feeling the pinch in farmers' spending. Sales of commercial fertiliser climbed to an alltime peak in the year that ended on June 30th last, but since then demand has slipped. One of the country's largest producers of fertiliser experienced a 20 per cent decline in sales in the four months to October 31st compared with the similar period in 1952; the entire industry has probably shown a drop of comparable proportions. Because of this slackening in sales, one large fertiliser company plans to cut its expenditure on advertising next year by \$250,000. Out in Carlsbad, New Mexico, where much of the potash used in the United States is mined, there are such big stocks above ground that one producer has "mothballed" his pile of this fertiliser by coating it with plastic to keep it in good condition until

taxation of dividends; an easier depreciation policy to encourage capital investment, concessions to working mothers, and more liberal deductions for medical expenses. In addition, Congress may refuse to extend or wholly replace the taxes which expire in April.

CIO Without Fireworks

THE convention of the Congress of Industrial Organizations gave a more cordial reception to the maiden speech of the new Secretary of Labour, Mr Mitchell, than the American Federation of Labour gave to Mr Nixon, the Vice-President, when he appeared before it bearing an olive branch two months ago. But the delegates, by voting unanimously for repeal of the Taft-Hartley labour law, rejected Mr Mitchell's advice to be "realistic" and concentrate on eliminating the law's anti-labour features, even though he tried to sweeten the dose by endorsing an increase in the minimum wage. The CIO simply does not believe that this Republican Congress will improve the Taft-Hartley Act.

What the CIO leaders consider to be more urgent is the correction of the slump which they suspect is under way and which they think is being accelerated by the "big-business" bias of the Administration. A nine-point programme to raise purchasing power was urged upon Washington. Declining business activity makes it unlikely that 1954 will be a year of widespread wage increases and the emphasis put upon the guaranteed annual wage as the organisation's next major objective was more for propaganda purposes than anything else. The automobile workers, the CIO's pace-makers, may be glad that they cannot be expected to break new ground until 1955, when their contracts expire.

The chief business of the convention was to ratify the no-raiding agreement which the AFL has already accepted. This is being welcomed as a great step towards healing the 18-year-old breach in the labour movement, but always with the proviso that Mr Beck, the head of the AFL lorry drivers, and the unions' most aggressive empire-builder, can be persuaded to respect the red light. The agreement comes into force on January 1st, for two years, and provides for a committee with an impartial chairman to adjudicate disputes. But it applies only to trade unions who sign it, and the lorry drivers will not even debate doing so until February.

The CIO convention passed off without any of the fireworks which, a year ago, seemed likely to blow the organisation apart. Mr Reuther, the president and the head of the automobile workers, the largest of the CIO unions, was re-elected unanimously, and Mr McDonald of the steelworkers, his chief rival, contented himself with a series of pin-pricks: for example, his publicity-attracting tour of steel plants, hand-in-hand with Mr Fairless, the chairman of the US Steel Corporation, was deliberately timed for the second day of the convention. Mr McDonald is said to be playing for bigger game than anything the CIO has to offer: a vice-presidency in a trade-union movement which would be 15 million strong if the continuing talks between the CIO and the much bigger AFL eventually bear fruit.

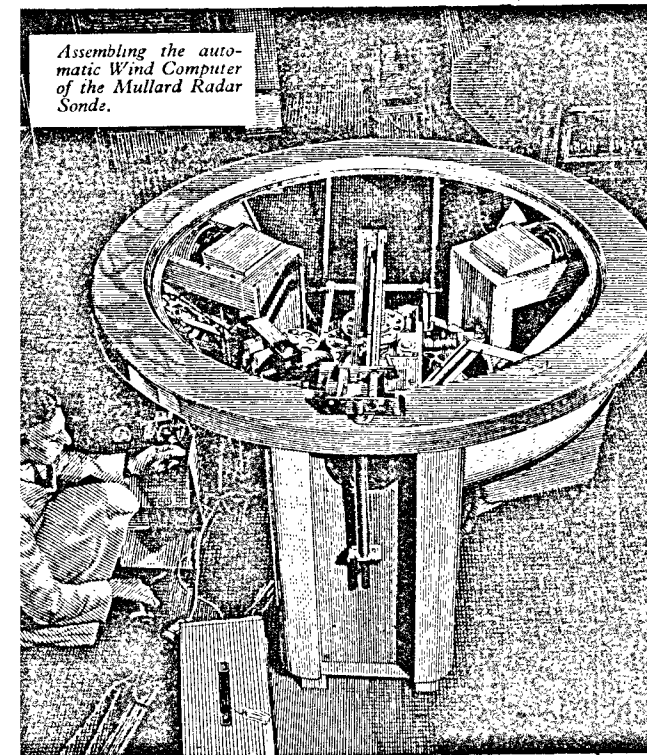
Metal Troubles

THE plans hatched out by the Democratic Administration three years ago, when metal prices were forced up by the Korean outbreak, have come home to roost on a Republican Administration at a time when supplies of metals are outstripping demand. As a result the complicated mechanism of loans, long-term contracts and other devices to stimulate the output of metals, both at home and abroad, which then seemed to be an essential safeguard against shortages that might endanger American military expansion, now look, to American mining interests at least, like a government plot against their solvency.

Lead and zinc producers have undoubtedly suffered severely recently, although in this instance the blame falls not on government policy but on their own high costs. Their case, now being considered by the Tariff Commission, to which it was referred by Congress, is that prices of lead and zinc have been almost halved in the last eighteen months, while imports of both have been running far above normal. The situation is now improving, but meanwhile American stocks have accumulated, a number of mines have closed down and there is unemployment in the mountain mining areas.

The governors of these western states protested early this month that the mining industry was being choked by the government's "dumping" on the domestic market of metals it had purchased abroad at premium prices to encourage production there, and that as a result American mines would no longer be able to meet the country's needs in time of war. Senator Malone of Nevada, who is investigating the policies governing the stockpiling of strategic materials, carries the argument farther and demands that the needs of the stockpile should be met, whatever the cost, from domestic sources—or at least from the western hemisphere—in order that the United States may be safely independent of uncertain overseas suppliers.

All this is obviously building up into a many-headed controversy which will threaten Administration policy from all sides when Congress meets again. The mountain states must be comforted, or they may vote for the Democrats next autumn, but America's allies must not be offended, or their economies hurt, by the breaking of long-term contracts. Subsidies for domestic mines would run counter to attempts to cut government expenditure, while higher tariffs, which are being demanded particularly loudly by lead and zinc producers, would make nonsense of attempts to substitute foreign trade for foreign aid. Finally, it is only eighteen months since Mr Paley's Raw Materials Commission reported that, however plentiful supplies of metals might be at the moment, the long-term outlook was one of scarcity, which could be met only by the development of overseas sources of supply. Next month an expert conference on Resources for the Future, sponsored by the Ford Foundation, will make plans for bringing home to the public the implications of the Paley report. Meanwhile President Eisenhower has set up a special Cabinet committee to work out a policy, if possible before Congress works out one on its own, which will both assure the ration of enough minerals to see it through "the uncertain years ahead" and protect the domestic mining industry by some means "consistent with our other national and international policies."



PROGRESS IN ELECTRONICS

THE rapid growth of air traffic throughout the world and the introduction of high speed aircraft flying at great heights have multiplied the problems of the meteorologist. The methods of forecasting weather conditions which were adequate ten years ago cannot provide the detailed and accurate data which are required to-day.

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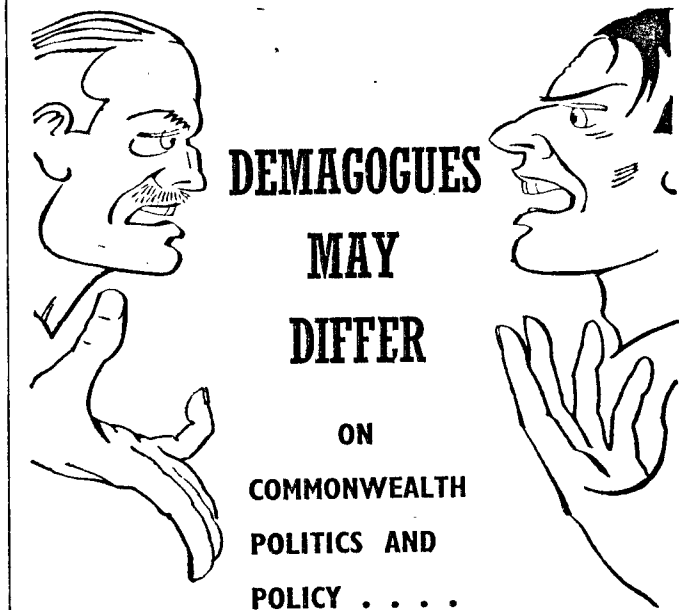
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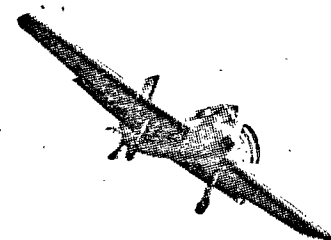
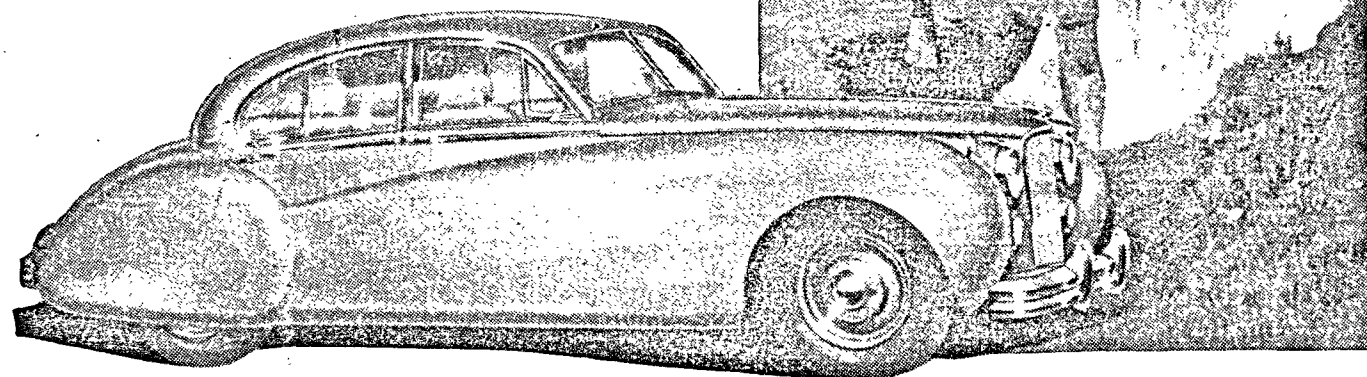
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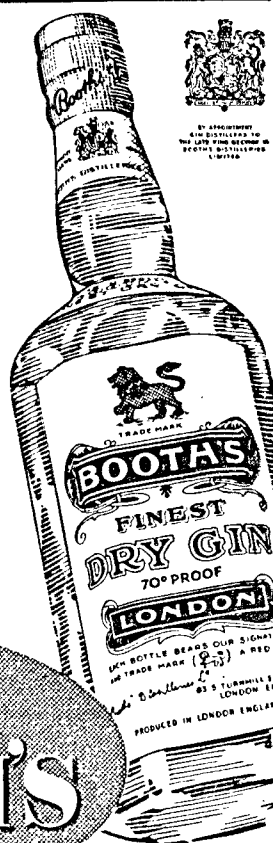
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The World Overseas

Neither Mendès nor Pinay?

FROM A CORRESPONDENT IN PARIS

WITHIN two months, M. Laniel will have to hand his cabinet's resignation to President Vincent Auriol's successor, who may or may not be M. Laniel himself. Already this cabinet is little more than a *mort vivant*. Who is to be the heir? The title of a book recently printed in France suggests the alternative: *Mendès ou Pinay?* But the problem is not only a choice between two or more political leaders. For some time there has been a search for fresh political alignments either in Parliament or in the country. Can and will this search lead to coalitions more stable than the present one, and even, as M. Bertrand de Jouvenel recently suggested in the *Manchester Guardian*, to a two-coalition grouping, which would bring advantages roughly comparable to those of the British system?

M. de Jouvenel also suggested that M. Pinay and M. Mendès-France could be the poles and, indeed, the best leaders of the two prospective coalitions. Certainly M. Mendès-France would be as brilliant a premier as any French intellectual could wish. During the last ministerial crisis, he appeared as one of the men who could best swing the political pendulum back to the left at some later stage, by rallying a centre-left coalition without the help of the Communists. He mustered not only the whole Socialist vote, and nearly all his Radical friends, but also, in spite of their leaders, a good deal of the rank-and-file in the Catholic MRP and M. Plevin's UDSR, together with a number of Gaullists and right-wing Independents and Peasants. However, he failed by 13 votes to get the constitutional majority of 314, and it is commonly assumed that a number of Radicals voted for his investiture only as a polite gesture, because they knew that he would not win.

One of the main reasons for M. Mendès-France's failure was his well-known desire for negotiations in Indo-China. The recent evolution of parliamentary opinion on Indo-China might well be an asset to him next time he asks for investiture. His strict economy plans would again get him a number of right-wing votes but they might cause difficulties with the left-wing supporters of his full employment programme. There is in fact an internal contradiction in his plans, at least from the parliamentary angle, and it is doubtful whether a new run would lead him much further than the last one. This may be the reason for his extreme reserve in recent debates. Moreover, although he stated, in his investiture speech, that he would ask for a confidence vote on the EDC, he has been accused by several promoters

of European integration of not being "European" enough.

On this point, M. Guy Mollet offers better guarantees. His scheme for a "social and democratic front," which is still rather vague, appears as an answer both to the Communist campaign for "unity of action" and to the centre-right policy of the Pinay, Mayer and Laniel cabinets. It is also, to a certain extent, an alternative to a grouping around M. Mendès-France although it would necessarily include a great number of those who voted for him in June. The main difference is that its foreign platform would be definitely "European" and would not involve a change in the Atlantic policy of France. Talks are said to be in progress between M. Mollet, M. Plevin and a number of Catholic MRP or Radical deputies, as well as leaders of the non-Communist trade unions. There have been rumours of a coming agreement on the question of subsidies to Catholic schools, the big stumbling-block in the way of a *rapprochement* between the Catholic MRP and the Socialists.

But even if the proposed front could unite all the Socialists, the Catholic MRP and the UDSR, it would lack a number of Radical votes and therefore need the support of some Gaullists or right-wing independents, reluctant to join a coalition either too "European" or too "pink." To sum up, it seems that the idea of a *regroupement social* has actually caught on with the French public and parliamentary opinion. A large part of the Catholic MRP and the UDSR are as unhappy in the present coalition as they were in M. Pinay's cabinet. They are looking to the left. But the "social and democratic front" scheme does not seem to be quite ripe. Its extension to the right is hindered by disagreement both on home and foreign policy and towards the left by the massive Communist block. The Communists themselves have now altered their tactics. While continuing to woo the Socialist rank and file for "unity of action," they concentrate on promoting a "national front" against EDC. But such an unholy alliance patched up for an immediate negative purpose has no chance of survival.

M. Pinay, who recently sent a manifesto to all deputies except the Socialists and the Communists, leads the counter attack to the challenge from the left. His renewed but limited economic liberalism and his determination to fight all forms of inflation appeal especially to the French middle class and petty bourgeoisie. His followers claim he is the most popular politician in France today. Even if this were true in the *pays réel*, the Palais Bourbon does not seem ready

to draw the political conclusion. M. Pinay's letter was not unanimously welcomed even among right-wing independents. A recent meeting did not bridge the gap which for both personal and political reasons separates him from M. Laniel. Moreover, even if M. Pinay could rally around him the bulk of the Independents and the Radicals, he would still need, for a workable majority, either the Catholic MRP or the Gaullist vote, or at least part of both. When he came out in favour of the EDC last March, he made a step towards the former. But he was very vague on European integration in his recent letter and can no longer be described as the obvious leader for a pro-EDC coalition. Will this give him a better chance to gain the support of the Gaullists? It would not be easy to overcome their intense dislike of the man who more than anybody caused their present dislocation. Apart from the dissident Gaullists (ARS) most of the rest would probably vote against him.

But if the centre-right coalition is not about to cluster around M. Pinay, has it any chance of surviving M. Laniel's premiership? Probably not in its present form. As the EDC ratification debate comes nearer and is more and more the crucial issue in French politics, it seems also more difficult to keep the bulk of the orthodox Gaullist group (URAS) together with political parties ready to ratify the European army treaty. Once the URAS has left, the governmental coalition would provide no more than a narrow and unstable majority.

On the whole, the obstacles against bipolarity in French political alignments at present seem bigger than the chances for polarization. The main reason is the EDC issue, which divides more or less all political parties (apart from the Communists, and maybe the URAS Gaullists) in a way which does not coincide with the divisions caused by domestic affairs. If no new device is found to shelve the issue once more, the French political crisis will rapidly come to a climax with an unstable coalition, cutting across party frontiers. What the lasting effects of this crisis will be, nobody would dare to forecast. Only two things can be said. First, if constitutional revision finally abolishes the present obligation of a new Premier to obtain an absolute majority for his investiture, governmental coalitions should become easier to build up and less heterogeneous. Secondly, it is unusual for a French legislature to end with the same governmental combination as marked its beginnings. This rule would seem to give the best chance, at a later stage, to a centre-left grouping. But both M. Mendès-France and M. Pinay may still have to bide their time, perhaps until after a general election.

India, Pakistan and America

FROM OUR CORRESPONDENT IN BOMBAY

IN India Pakistan's decision to become a Republic hardly raised an editorial; there was much more comment when Ceylon decided to drop the Union Jack. What Indians noticed was that the Republic is to be Islamic; to them this is the final proof, if any was needed, that Pakistan has no intention of giving to its Hindus the equality India has given its Muslims.

The reasons for the lack of comment are twofold. Pakistan's action was in no sense a surprise. It had been long expected, talked about, discounted; and to Indians

it appeared the only course Pakistan could take consistent with its self-respect. As the comment on the Coronation showed, Indians have a very real understanding of the part the royal family plays in English life, of the very deep bond between the British and their Queen. But they consider that the rarity of royal visits, and the difference of race and religion makes any such close bond impossible in Asia. The Commonwealth for them resides in shared ideals, not shared allegiance; in common discussions, not common loyalty. They have no doubt that the Pakistanis feel as they do. Had Pakistan kept the Crown, therefore, they would have felt that it could only be with the ulterior motive of buying British support in its quarrels with India, an interpretation which is greatly strengthened in Indian minds by the comment of some British papers, widely reprinted here, that had the British not truckled to India, Pakistan would never have become a Republic.

Indeed, as Mr Nehru's recent press conference again showed, India's main preoccupation is with the possibility that Pakistan's distaste for India may be sufficiently deep to make the Pakistani Government willing to sacrifice its sovereignty by giving the United States bases in return for the fuller arming of Pakistan. Despite Senator Knowland, no Indian believes that Pakistan is any more eager to be involved in the cold war, or any less anxious to be neutral, than India itself. Nor does any Indian believe that Pakistan's desire for arms is in order to defend itself against Russia and China. As Mr Nehru said, Indians recognise that Pakistan and America are independent sovereign countries which can do as they like. They do not like the prospect of American bases so near, bringing the cold war to their own sub-continent. But if that were all, it would in due course be accepted. The real objection is to the arming of Pakistan.

Cold War in Kashmir

From India's point of view Pakistan is the only country with which it still has open unsettled issues of the gravest importance; the only country whose leaders have regularly and publicly threatened India with war; the only country whose soldiers are still engaged with India in an undeclared war that has never become a peace, but only a cease-fire. Because restraint has been shown and the cease-fire has not been broken and because people have been hypnotised by happenings in Korea, the static war in Kashmir has been transferred in people's minds from the cease-fire line to Uno and the stillborn reports of distinguished experts; and there is a tendency to think only abstractly of the 100,000 odd men on India's side who are actually engaged in Kashmir. But they are as real to Indian hearts as the American troops in Korea are to their parents'.

Indians felt that the Pakistani threats of war did not matter so long as India was the stronger. But were, for example, America to supply Pakistan with jet bombers, every Indian would calculate not the number of hours they would take to reach the Urals, but the number of minutes they would take to get to Delhi or Bombay. Were Pakistan's armed forces to be equipped to fight a really modern war, therefore, every Indian would feel that to equal Pakistan's forces must be the Government of India's first priority. Every educated Indian remembers how it was the better equipment and better horse of India's Muslim invader which gave him his victories.

The options before India would, indeed, all be unpleasant.

The Five Year Plan would inevitably have to be sacrificed to rearmament. The Left has always said that the Americans were intriguing for Pakistani bases, and that aid (in this case the million tons of American wheat to Pakistan) is always tied up with strings. Were their prophecies to be fulfilled, not only could Mr Nehru accept no more American aid, but their thesis that he is never really neutral, but always at the least pro-British, might receive much wider acceptance. Indo-American relations, already tense, can only become tenser; much may be said that will be unfortunate, and make acceptance of help as well as willingness to help difficult, even in the absence of Communist nagging. And any Uno—in Indian eyes the same as American—suggestion over Kashmir will be taken with increased diffidence, making any possible solution still more remote. And if the Commonwealth still left India relatively unarmed to face a fully-armed Pakistan on its border, many an Indian of unimpeachable conservatism might feel that the time had come, neutrality or no neutrality, for India to look for strength elsewhere.

Financing German Exports

FROM OUR SPECIAL CORRESPONDENT

A REMARKABLE contract was recently signed between the Federal German government, in conjunction with three big heavy industrial concerns, and a Greek mission for the delivery of DM 200 million worth of equipment and services on credit up to eight years. The Greeks, who had been unsuccessful in London, found the Germans ready to accept the risks of financing a large part of their four-year development plan. Krupp will provide the equipment and technical aid for exploiting nickel deposits, while other schemes will be carried out by other firms.

On the face of it, this contract seems to prove the truth of the constant reports about German firms' ability to offer longer credit terms. It seems to contradict the perennial complaint of German heavy industry about shortage of capital. And it raises the question why the German government should rush in where the British Treasury fears to tread.

The Greek deal is, in fact, an interesting example of the latest phase of German foreign trade policy. In the first place, it is evident on closer inspection that there lay behind it the same boldness as led the Minister of Economics, Dr Erhard, to abolish rationing in 1948. No clear idea of how the Germans can finance the manufacture and delivery of the equipment seems to have been thought out. Instead, there comes first an act of willpower and courage; then the bankers and finance directors must somehow do the rest, and their difficulties are great. The DM 200 million credit will not be granted to Greece by the German Federal state, and the firms themselves cannot or will not undertake more than a part of the financing themselves. The Export Credit Company, which is the only existing body for financing medium and long-term exports, is limited to credits of four years, though this is usually extended to five years by the exporters taking over one year's financing themselves. A loan, it may be thought, could be issued by the Export Credit Company acting for the German state for the eight years period of the Greek transaction. But technical difficulties stand in the way: for one thing, the Export Credit Company has too small a capital to raise a loan of any magnitude, and the

yield would have to be very high and the interest tax-free if public subscriptions were to be forthcoming. The market for new issues is still very small, and is dominated by the tax-free loans of the government and *Laender*. Even the best-known industrial concerns have to pay nine or ten per cent for the money they borrow. However the Greek contract may be finally financed—and the Germans can be trusted to find a way—the German state will take over the risk through the Hermes credit insurance company. German exporters, eager though they are to secure permanent markets in under-developed countries, demand and secure in varying degrees a guarantee of their risks, including the chance that customers will not be allowed to transfer payments.

The credit to Greece has one precedent in Germany. The Bonn government was induced to grant Yugoslavia a credit a few years ago, when the western powers were anxious to prevent the collapse of Tito. But that concession was not entirely a matter of German free-will, in contrast to the aid for Greece. The Greek deal therefore represents a new phase in German policy. The other significant development in this new phase was the treaty with Brazil signed a few months ago. This was the prototype of the Bonn Government's coming network of treaties with underdeveloped countries which are in debt to Germany. It forms a framework for economic collaboration, and provides for German capital to be exported for setting up joint, or purely German, enterprises in Brazil. In practice, it may be noted, only small and medium-sized German firms have managed to establish satisfactory relations with the Brazilian authorities, while the big concerns have run into local obstacles. They have yet to learn how to get on to the right terms with Latins or, for that matter, Greeks.

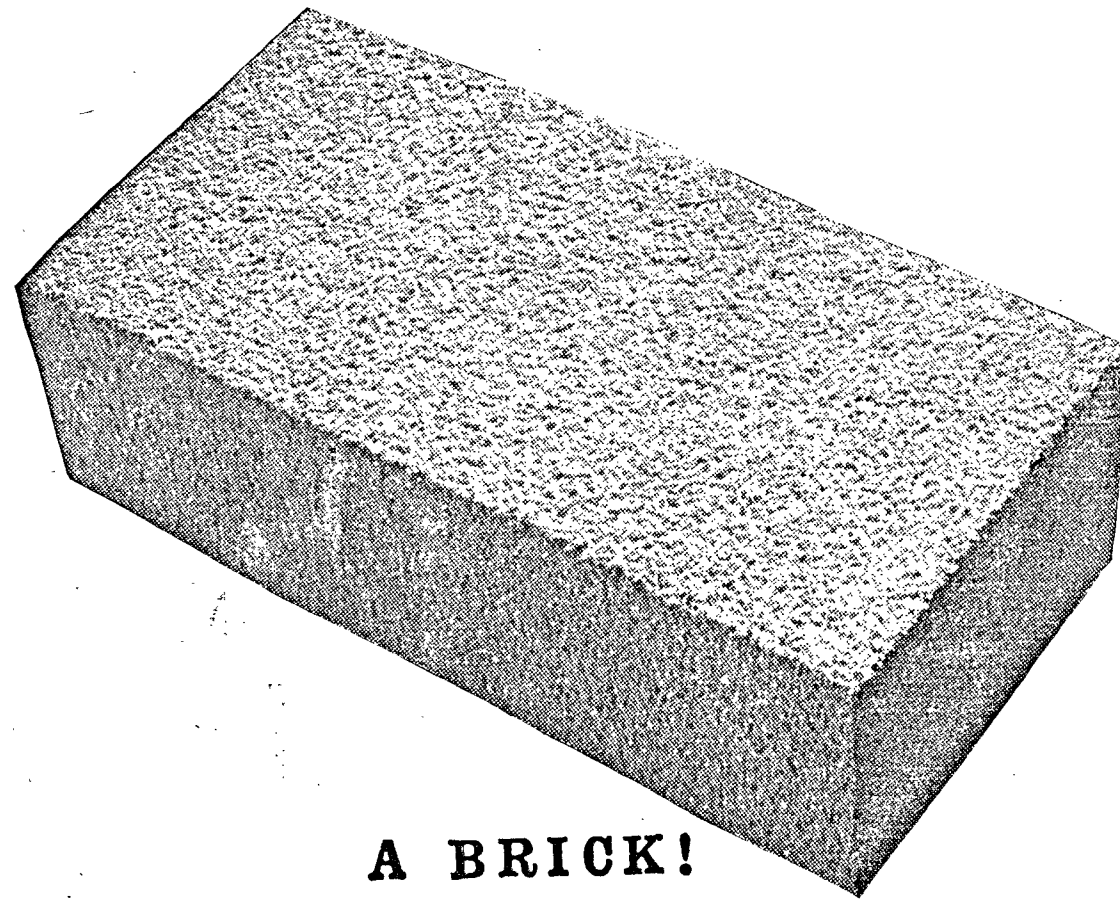
Deadlock with the World Bank

The contract with the Greeks does not, it seems, provide for Krupp and the other German firms to take over shareholding in the enterprises that they are to develop, though the Greek planners are said to be urging that part payment should be taken in shares. In this way it differs from the treaty with Brazil. On the other hand, the deal is typical of German policy in another respect. It will certainly be accompanied by a demand for the return of German assets in Greece. For a long time past countries—notably Spain and the governments in Latin America—which want to secure further German supplies of capital equipment, in spite of having already run into debt, have been pressed to relinquish German assets, and some have given way. It is not hard to see a further whittling away of the "Safe-haven" agreement for the confiscation of German assets which the Allies concluded after the war, in order to break Germany's economic-political power overseas.

The state of German negotiations with the World Bank is as revealing a pointer to present German trade policy as the Greek agreement. A deadlock has been reached, after long investigations and discussions had led to two modest proposals from the Bank. One of these was for a \$20 million loan to industries that export a large proportion of their products, and the second was for a \$10 million loan for the partly dismantled Thyssen steelworks.

The Bank's terms have proved unacceptable to the Germans. Only a few firms have gone so far as to submit projects requiring American loans, and only one of them proposes to buy any dollar equipment with the proceeds. In every case, German manufacturers declare that they can

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provide all, or nearly all, the necessary equipment for their projects without going to America for it. The only exception is the plant required by the Thyssen works, which German industry cannot supply at once; but it is only a matter of months before this situation is changed. The other objection to the World Bank's terms comes from the Bonn Government, which considers that the guarantees required conflict with the London debt agreement, and are too stringent for an industrial country that has proved its creditworthiness.

The Germans want, in short, local currency loans from the Bank on less rigid terms, and they are waiting to see what the Bank decides to do about it. The Bank, it is considered, should adapt itself to make exceptions for Germany as it has already done for Italy and Belgium. In both these cases the Bank modified its rules because bigger dollar earnings were expected if local currency loans were granted. In general, it is felt that Germany will gain more advantages from the Bank's loans to under-developed countries than from direct financing of German exporting industries. The Bank has already started to grant loans including a mark *tranche*, and it is on further deals of this kind that German hopes rest at the moment.

The *Bank deutscher Länder* in any event disapproves of German firms involving the country in further dollar indebtedness. It has reminded too eager firms not to enter into commitments with American or other financiers without prior approval of the central bank. And a further warning has been issued to the effect that Germans may find themselves liable to pay commission to some of the foreigners who are now offering to negotiate loans, even if the transaction is eventually concluded with different parties. In the view of most well-informed Germans, there is still little chance that American investors will prefer Germany, with its political risks, to the home market which still offers good yields. Even the steel industry does not expect American capital to reach it through the steel-coal community, though Ruhr coal companies will benefit from M. Monnet's trip to the United States. German industrialists, eager to extend interests overseas, still regard the maintenance of their power to plough back profits, and the development of the internal capital market as the most vital tasks for the future.

The European Political Community—II

FROM OUR SPECIAL CORRESPONDENT

DURING the last war the world's statesmen (except, of course, Stalin) were agreed that France, when peace came, should be the smallest of the Great Powers and not the greatest of the small powers. In fact, the France of 1944 was only a small European power with a very large overseas empire tacked on to it. None the less, until the Soviet military threat induced the United States to revive industrial Germany the French could act as one of the Big Three occupying powers. In 1953 Federal Germany is the most powerful continental country. That this would be so French diplomatists already knew in 1950. Hence the "integration policy" of M. Schuman and others, which was most unpalatable to French conservatives out

of office, who wished to stand by the constitution of 1946 and by the imperial and military tradition. A position has now been reached in which the French right, left and centre must seek a constitutional compromise between the unitary and indivisible Republic (which includes such places as Algeria, Senegal and Madagascar) and the European Community.

The current debate in the *Assemblée Nationale* shows how hard it is to combine the France of Schuman, Monnet and Mollet with the France of de Gaulle, Laniel and Juin. The choice is most hazardous. To drop the European *idée-force* would be unthinkable; but how is it to be reconciled with the integrity of a French Union tied to the *métropole* by administrative links and a common currency? To refuse a German defence contribution is impossible now, when the Germans have been made capable of producing 12 divisions and a tactical air-force within, at the most, two years; but how may France, with its eastern and African commitments, match this performance?

Article 1 of the draft statute of the European Community runs:

The present Treaty sets up a European Community of a supra-national character. The Community is founded upon a union of peoples and states, upon respect for their personality and upon equal rights and duties for all. It shall be indissoluble.

The Indissoluble Union

In his report* to the Strasbourg Consultative Assembly (April, 1953) M. Bohy, while admitting that the statute is *sui generis*, insists nevertheless on the presence of vital federal elements in it: the clear general statement of Article I; the provision of a People's Chamber "without which the whole structure would be little different from that of the innumerable intergovernmental experiments and failures which have preceded it." M. Bohy refers to a speech made by M. Paul Reynaud at the Hague Congress of the European Movement in 1949, when the former French Prime Minister said:

We believe it is we who have kept our feet on the ground, for we ask for a European Assembly which will be truly European because it will be elected by direct European universal suffrage to deal with matters of European concern. We believe we must tap a new source of sovereignty by appealing to a European sovereignty. . . . And we believe that only thus, by striking the imagination of our peoples, shall we succeed in solving the problem. . . . Do not fear the peoples, only appeal to them.

This declaration of confidence in the general will of the European population is in utter contrast with the present attitude of French conservatives to the right of M. Bidault. M. Schuman is reported to have said in 1950: "France will bring Africa as her dowry to Europe." The saying may be apocryphal, but it touches the weak spot in the French compromise plan to lead a double life, part national and part European. The *territoires d'outre-mer*, and especially the African ones, are jealously guarded by the colonial service and all those who have developed them; but they are also dear to those who run France's economy, for as a preferential market Africa is essential to the whole

* cf. Documents of the Consultative Assembly relating to the European Community. Council of Europe, Strasbourg, 1953. H.M. Stationery Office. pp. 5-53.

French protectionist system. This system would collapse overnight once it were penetrated by European, and especially German, competition. It proved possible to exclude North African minerals and the North African market from the coal/steel pool even though Algeria was part of metropolitan France. No organ of the ECSC has the power to revise this escape clause.

But it is not at all the same with the European Political Community. M. Senghor, Senegalese deputy at the Palais Bourbon, has successfully insisted that the African territories should be represented in the European Parliament. This means that French conservatives are faced with the possibility of a line-up of their own African deputies with a large majority of Europeans, demanding that Africa should be developed by the capital and business initiative of nationals not of France alone but of all the six member countries. But the French colonial administrator has not the slightest wish to take his orders from the President of the European Executive Council. In particular he fears that non-French Europeans will push their goods in Algeria and Black Africa without assuming their share of the financial burden of administrative overheads such as roads, schools and hospitals.

A European Market?

The real bones of contention in the EPC are Articles 82 to 84 of the draft, which deal with the progressive establishment of the European common market. It is laid down that

The Community shall foster the co-ordination of the policy of the Member States in monetary, credit and financial matters. . . . Nationals of Member States who have completed their service in the European Defence forces shall have freedom of movement within the Community and freedom to choose their domicile in the territory of any member state. . . .

No establishment of the common market may begin for one year after the entry into force of the political community. After that, however, very definite things will happen. For the next five years any economic measure drawn up by the Executive, agreed *unanimously* by the Council of Ministers, and approved by the parliament must be enforced by the governments of the member states. During this period a dissenting national government could use the veto but would become most unpopular if it did so repeatedly. After five years, however, the concurrence of the Council of National Ministers need not be unanimous, but only by majority. It is this automatic transfer of power from the nations to "Europe" that is at present quite unacceptable to France, which adheres to M. Bidault's "*communauté d'états souverains*." For the French the Executive must be merely a supranational board and the European parliament the body that will prevent the board from being too technocratic.

There is no chance whatever that the government of the Netherlands will accept the French conception. The Dutch never liked the European Army but are now prepared to accept it *faute de mieux*. But they see no reason to provide new organs simply and solely to control the EDC's Board of Commissioners, preferring the semi-supranational, semi-intergovernmental approach which is the present procedure of the coal/steel community and the model for the EDC. Moreover, the more grandiose and pseudo-federalist the political superstructure, the less real, in the Dutch view, will democratic control of the pools

actually be. On the other hand the Dutch government subscribes as a low tariff country to the plan for a genuine European union with automatic transfer of powers.

Neither the Germans nor the Italians have supported the Dutch in their "all or nothing" position. But this, it seems, is only for diplomatic reasons. Germany has certainly everything to gain from full union, but something very important—namely its full sovereignty—from the first degrees of it. Hence its desire not to frighten France out of the EDC. Italy, already granted a certain temporary protection for its high-cost steel industry, has everything to gain from a European system which permits it to export its principal commodity, labour. Belgium and Luxembourg have, in negotiations on integration, usually been content to follow the Italo-German line. Belgium is afraid only for its high-cost coal mines (which the coal/steel treaty protects for a time), and Luxembourg only for its agriculture, which, as in the Benelux convention, will probably be excluded from the European common market.

Pools Without a Roof

Granted the deadlock between Holland and France over the automaticity of the EPC's economic clauses, it seems unlikely that any agreement will quickly be reached on the European Political Community. For a number of years there may have to be two pools with no "roof." This will not necessarily mean that the European movement will come to a stop. Industrial and military integration are in the nature of a revolution by the élite occasioned by the iron necessity of defending western Europe against both Soviet and German aggression. European union is certainly the ideal of youth, but it is still rather an escapist and negative idea among the masses. It is argued that a direct election to a European parliament would be of immense educative value and further the cause of union. It can, however, be objected that the Six, having plunged into two pools, will not recover their breath for a while: that what is required is time to discover what the boards and the Council of Ministers can do by themselves. Before the fact, it is argued alternatively that they have too much power and must be further controlled or that they have too little and must be strongly supported in both cases by European political organs. It will surely be time for the people to intervene when the two existing communities have shown what they can and cannot do.

In the meantime it is extremely hard for France to opt outright for a European Community which must live at the German tempo, when it still believes itself to possess the chance, however faint, of re-establishing itself as a world power during the next two or three decades. The trouble is that the draught of foreign competition which is needed to loosen up France's protectionist economy (the main cause of its weakness in general) is likely to be too drastic if Germany is the blower. Those in charge of French fortunes therefore prefer a safety-first system of integration which risks stagnation but not economic *Grossdeutschland* from Hamburg to Bayonne. The test of French diplomacy will be its success in keeping Germany looking western without allowing too much German penetration of France and French Africa. But it can only be said that the French parliamentarian has shown very little talent in the role of Mediterranean seductress of the invading Nordic entrepreneur.

(Concluded)



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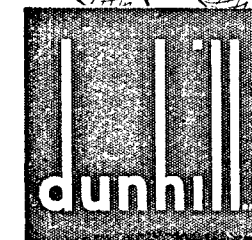


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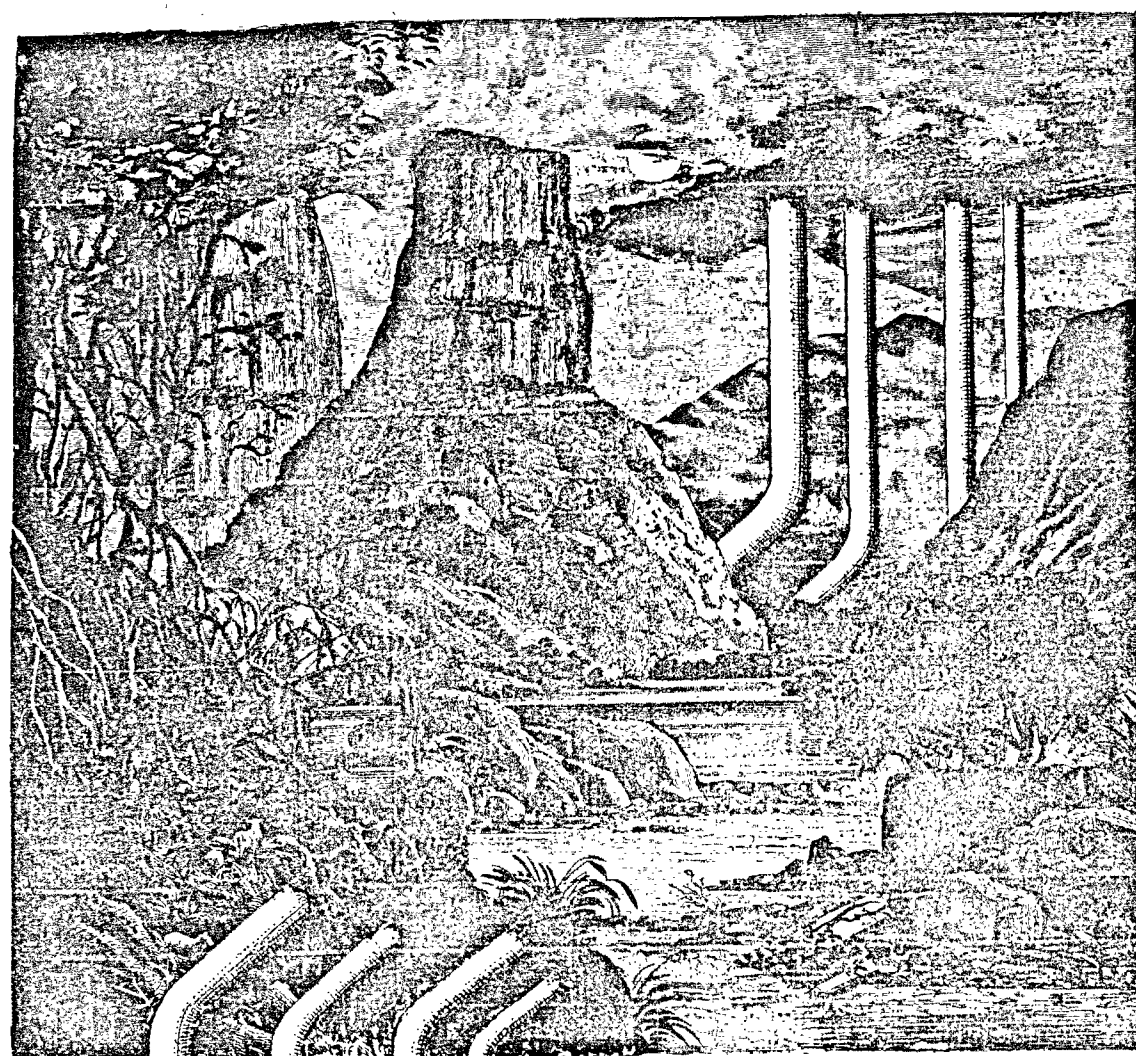
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THE BUSINESS WORLD

Kaffirs Lose Their Premium

THE recent disappearance of the premium that "free" gold had long commanded over the official dollar price of \$35 a fine ounce marks a milestone in the history of the international bullion market and of the metal itself. Inevitably, it is also an event of considerable significance for the gold mining industry. This premium was the product of three sets of forces—the fear of war, the fear of inflation and the expectation or hope of an increase in the official monetary price of gold. The first two of these influences showed themselves in a persistent hoarding demand for gold, while the third led to a considerable volume of speculative purchases. The premium reached its peak in the early weeks of 1951, when the price of "free" gold rose in continental markets from \$40 to \$44 per ounce. Events in Korea, fears of an extension of hostilities and the resulting hoarding of gold were the prime causes of this steep rise in the premium. Another was the fact that the substantial outflow of gold sustained by the United States during the latter part of 1950—as the counterpart of its stockpiling purchases of strategic raw materials—had stimulated expectations and hopes that the official American attitude towards the dollar parity price of gold might change. This in turn led to a considerable anticipatory buying of gold by dealers in the free markets.

From that peak, however, the free market price has steadily declined. It had fallen to \$39 by the end of 1951 and to \$37.50 by the end of 1952. The downward trend has continued this year, until on November 18th the spread of selling and buying prices in the free market ranged for the first time below the official quotation of \$35. It now stands evenly balanced on either side of that figure, at \$34.90 to \$35.10 per fine ounce. There remain, however, certain markets where gold is still quoted at an appreciable premium; in India, for

example, the current rupee quotation is equivalent to about \$45 per fine ounce. But the premium still quoted in such centres does not reflect the working of a free market; it results from official, though not wholly effective, prohibition of the import of the metal. Wherever gold is dealt in freely, no seller can obtain as good a price as the official parity. The collapse of the premium became inevitable from the moment when, in September, 1951, the International Monetary Fund abandoned its hopeless battle against sales of gold by member countries at premium prices and left it to each member country to decide for itself how to reconcile its IMF obligations with its gold selling policy. This latitude permitted by the IMF led to an immediate and substantial expansion in the volume of newly mined gold offered on the free market. Informed estimates suggest that the free market in 1952 absorbed nearly half of the gold produced in that year.

A considerable diminution in the hoarding demand for gold went hand in hand with this increasing supply. The mainland of China, formerly the great Far Eastern "sink" for the metal, has been dragooned by the Communist regime into closing its frontiers against anything resembling an organised inflow of gold. Some smuggling still occurs, but the penalties for it, as for hoarding, are such as to deter all but the most hardened enthusiasts. The end of hostilities in Korea has also quietened the hoarding demand not only in the Far East but also in Europe, notably in France, a country whose absorption of gold has in recent years outmatched that of any other. The evaporation of hopes of a higher official price for gold has also played a considerable part in the disappearance of the premium. If for no other reason than that 1933 devaluation of the dollar was the work of a Democratic Administration, it may be assumed that the Republican Administration will have

nothing whatever to do with suggestions for any repetition of such a move—unless and until, perhaps, it becomes convinced of its advantages as a domestic deflationary device. Much has been said in recent weeks of the part played by sales of Soviet gold in weakening the free market price. It is true that in the past month some 600,000 ounces of Russian gold—worth roughly £7½ million—have been offered for sale through the Continental free markets. These sales may have been the marginal factor responsible for the final disappearance of the premium; but they can have done no more than hasten by a few weeks an event that was inevitable in any case.

There seems to be little likelihood of any early reappearance of the premium—in the absence, of course, of any sudden worsening of the international situation or an unexpected sympathetic turn in the attitude of the United States to the question of raising the currency price of gold. One of the reasons for expecting the free price to remain at around the official parity is that the main gold producers are large potential sellers in the free market. South Africa has already taken steps to allow its producers to sell their gold in the free market in the form of fine bars, thus avoiding the expensive artifice by which the bulk of the gold sold by South Africa in the free market was offered in processed form or in simple ornaments that could, without much difficulty, be reconverted into the original form of bars. During the past week some South African gold has actually been sold in the international market at a price below the official parity: but this apparent anomaly is explained by the fact that the effective parity for South African and other producers is not the theoretical currency parity price of \$35 an ounce as such but the net return from gold sold to the monetary authorities of the world at that price or its equivalent. When South African gold is sold through the Federal Reserve Bank of New York to the United States Treasury, the net price received by the seller, after allowing for insurance, freight and handling charges, is \$34.77. It is not surprising, therefore, that some South African gold should have been sold in the free market this week at \$34.85.

The disappearance of the premium is a matter of considerable importance to goldmining profits. Between July, 1949, when South Africa began selling gold on the free market, and the recent disappearance of the premium, the gold producers have received about £15½ million from the premium on the 16 million ounces or so of gold that has been thus sold. In 1951 the additional revenue from premium sales amounted to £6,693,000, compared with total working profits of £44,157,000. In 1952 the aggregate working profits fell to £38,746,000, and over half this decline was due to a fall in the additional revenue from premium gold sales to £3,699,000. At first sight, therefore, it seems paradoxical that the sizeable boomlet in the Kaffir

market should have coincided with this particular episode in the chequered fortunes of the mines. This market activity, however, does not reflect hopes of any early expansion of the working profits derived from gold operations. As Table I shows, working profits from gold are being squeezed inexorably between rising costs on the one hand and the fixed gold price on the other:—

TABLE I—GOLD PRODUCTION, COSTS AND PROFITS OF SOUTH AFRICAN MINES

	Output in fine ounces	Costs per ton	Profits per ton
		£ s. d.	s. d.
1938.....	12,161,375	19 3	11 9
1950.....	11,663,570	1 9 7	17 4
1951.....	11,497,905	1 11 9	15 2
1952.....	11,299,986	1 14 2	12 11
1953 (9 months).....	8,526,591	1 16 2	12 0

There appears to be no early hope of escape from this tightening squeeze on working profits from gold, especially now that the contribution made by sales in the free market has run dry. But from this dull prospect for gold, the market speculators look to the glitter of uranium, formerly a minor by-product of the South African goldmining industry—if, indeed, it was produced at all. The uranium boomlet is certainly not all glitter; but its foundation of fact cannot be precisely assessed even in terms of current or immediately foreseeable output, quite apart from the uncertainties of the future. Under the Atomic Energy Act of 1948, which governs the production of uranium in South Africa, any disclosure of information about ore reserves, annual output or the price paid for uranium is forbidden. Some highly important facts are, however, known about the uranium programme in South Africa. Twenty-three mines have been allowed by the South African Government to announce that they are among the uranium producers. Their names, together with the years in which actual production is due to begin or has already begun, are set out below:—

TABLE II—THE URANIUM PRODUCERS 1952-53

West Rand Cons.*	Western Reefs*
Daggafontein*	Stilfontein
Blyvooruitzicht*	
1954	
Randfontein	Welkom
East Champ d'Or	W. Holdings
Luipaards Vlei	Harmony
Vogels	Afrikander Lease
Free State Geduld	Babroscro
Pres. Brand	Ellaton
Pres. Steyn	New Klerksdorp
1955	
Virginia	Doornfontein
W. Driefontein	Dominion Reefs

*-Already producing.

It has been found that in most of these South African mines the production of uranium can best be undertaken by the recovery of uranium oxide from the residual

slimes after the gold content has been removed by the normal treatment. Thus the cost of mining and crushing the ore is borne by gold, and the production of uranium becomes a self-contained and subsequent operation. The capital expenditure involved in the erection of the plants to produce uranium has been advanced by the British and the United States governments in the form of loans to the mining companies. The recently published report of the Committee of Public Accounts revealed that by last April the British Government, acting through the Ministry of Supply, had made loans amounting to £1,400,000 to certain South African companies for the purpose of capital development in the production of uranium.

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The uranium produced in South Africa is sold under long-term contracts to the governments of the United States and the United Kingdom. These contracts cover a period of ten years from the time at which each mine comes to the production stage. No information about prices is available—except that it is calculated on a “cost plus” basis. Included in the cost of production is an amount sufficient to cover the redemption of the capital cost of the plants plus interest over the ten-year period of production. Thus at the end of a decade the uranium plants will have been paid for and will become the property of the companies concerned. According to figures published in *Optima* by the Secretary for Mines and the Deputy-Chairman of the Atomic Energy Board, Mr V. H. Osborn, the total capital expenditure by the gold mining companies that have agreed to erect plants for extracting uranium is expected to be about £40 million, while the revenue to be obtained from the sale of uranium when all these plants are in operation should be about £30 million a year. From this revenue must be deducted the working costs of operating the plants as well as the amounts required to redeem the capital cost and to pay interest on the loans over the ten-year period. The balance remaining after deducting these items represents profit; for the purpose of income tax in South Africa, these profits are treated on the same basis as profits from gold. According to Mr Osborn “the prices are so arranged as to provide the mines with a satisfactory margin of profit.” That assertion seems to be confirmed by the uranium profits already revealed by the two mines—West Rand Consolidated and Daggafontein—that were first off the mark in the race for uranium output. For the September quarter of this year they showed together uranium profits of £415,000, representing almost exactly one quarter of their total working profits of £1,656,000. At this stage, the two mines in question were presumably doing little more than run in their plants. It would be unwise, however, to regard these figures as a guide to the prospects even of the companies concerned; and they afford little evidence of how other producers may fare.

In any case, it should not be assumed that the return

from uranium will necessarily raise total profits correspondingly. The reefs richest in uranium content may prove to be also those that are relatively poor in gold content; in that case, the profits from uranium production will be partly offset by some decline in gold profits, through a general downgrading of the ore mined. This is already happening in West Rand Consolidated, where the grade of ore has fallen from 3.2 to 2.7 dwts per ton over the past year. The principal uranium beneficiaries will be the low grade mines, notably Randfontein, which is promised not only a substantial increase in working profits but a considerable extension of life.

The benefits of uranium production will be localised, and the prospects must in any case be viewed cautiously. There is complete uncertainty about the terms on which the present ten year contracts with the United States and United Kingdom Governments will be renewed, since the next decade may bring to light much cheaper sources of this material than those provided by the deep gold bearing reefs of the Transvaal and the Orange Free State. It might, indeed, witness the discovery of altogether new types of fissile materials. Uranium is too young and unstable a basis on which to build confident hopes of a new lease of life for the South African gold mining industry.

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For the time being it would be wiser to continue to assess the prospects for that industry in terms of gold alone. Viewed in that light, the outlook is not very promising. A great deal of capital has still to be mobilised to bring the new Orange Free State mines to full production. This week has provided another example of the difficulties that are being experienced—and will continue to be experienced—in securing the necessary capital; the considerable finance needed by Freddie's North and Freddie's South has had to be found, not by direct issues of capital by these companies but by the issue of fresh capital by the parent company, Johannesburg Consolidated Investment. The best that can be claimed for gold shares is that they provide a reasonable hedge against deflation and economic depression. For those who are convinced that these horrors are on the way, gold shares offer a double attraction: first, the fact that production costs will, in those circumstances, tend to fall; and, secondly, the likelihood that the United States may look much more sympathetically towards the device of dollar devaluation if and when it finds itself in the depths of depression. It is the paradox of the gold mining industry that it tends to be twice cursed in a world boom but twice blessed in a world slump. In inflation it gets all the kicks of rising costs while abhorrence is felt at any suggestion that inflation should be further stimulated by bringing the price of gold into line with other commodity prices. In deflation and slump, as happened from 1931 onwards, it gets the benefit of lower costs, while upon that there is superimposed the unearned increment of devaluation. It may happen again.

Car Shares and Competition

THE easy canter of a racehorse down to the starting gate gives very little idea of its form. In their latest financial years, mostly to July 31st, the motor companies seem to have enjoyed just such a pipe-opener. From the figures recently published by British Motor Corporation, Rootes Motors, Rover and Standard Motor, therefore, investors would certainly find it difficult to name the winner in the competitive struggle that confronts the motor industry; but they ought to be able to pick out the bad starters. Outwardly, at least, these accounts tell much the same story. All the companies' factories have been working closer to full capacity than they were a year ago; profits have hardly altered; and ordinary dividends are little changed.

This placid surface, however, conceals a number of cross-currents. It is not immediately apparent from these accounts that while the total production of the industry has been rising, manufacturers have become increasingly dependent upon the home market. In the year to July 31st, total British production of cars and taxis increased by 16 per cent but exports fell by 12½ per cent. At the same time, production of tractors and commercial vehicles (both rather more directly affected by overseas demands) fell by 16 per cent and 4 per cent respectively, in line with a 25 per cent reduction in their combined exports. Little is known of the stake of the individual companies in these markets. Of the four companies that have just issued their reports, British Motor alone has published details of its sales, showing that while the number of vehicles produced by Morris Motors rose from 128,925 to

139,146 vehicles the Austin factory at Longbridge (where production was thrown out of gear by the three months' strike in the spring) turned out 139,694 vehicles, compared with 147,833 vehicles in the year before. In other reports shareholders are vaguely told of "record sales" and "record output" and even in the BMC report Mr Lord states not very precisely that "at the present time production in all factories is running at a new high level." They will have noticed, too, that Standard Motor has dropped its former practice of showing its turnover figures.

Marked stability in profits for a year of rising sales clearly argues smaller profit margins. For most of the companies, a lower profit margin has been a deliberate choice in preparation for tougher competition ahead, long after waiting lists and covenants have been forgotten. A full and steady flow of raw materials to the motor factories, together with the immediate fact of a high demand in a liberated market, has lifted production close to full capacity; unit costs of production must have been reduced, and commitments in stocks and work in progress could be safely lightened. It cannot be altogether accidental that Standard Motor (which was the first in the postwar field with the "Vanguard") is the only company of the four to report a marked increase in the book value of its stocks—from £4.8 million to £6.5 million—and, as a customary corollary, a decline in liquid resources. The other companies, notably British Motor whose "stocks and tools" have been reduced in book values from £31.6 million to £29 million, have kept a much tighter rein on their working capital commitments than this.

TABLE I—RECENT MOTOR PROFITS AND ASSETS
(£ '000s)

	BRITISH MOTOR		ROOTES MOTOR		ROVER		STANDARD MOTOR	
	4 months to July 31, 1952	Year to July 31, 1952	Years to July 31		Years to August 1		Years to August 31	
			1952	1953	1952	1953	1952	1953
Trading profit.....	6,196	15,001	3,918	3,856	1,402	1,416	3,041	3,122
Depreciation.....	711	2,363	378	430	174	197	1,226	1,297
Taxation.....	3,371	8,459	2,270	2,198	923	875	1,205	1,100
Net profit.....	1,853	3,817	1,068	1,069	313	370	531	644
Ordinary dividends.....	439	1,394	171	179	133	160	323	338
Retained profits.....	1,414	2,181	1,086	1,003	148	209	73	171
Fixed assets at cost.....	32,327	35,147	6,300	6,952	2,995	3,176	8,074	9,148
Less depreciation.....	15,088	17,115	2,620	2,995	1,501	1,703	3,258	3,956
Fixed assets at written down value.....	17,239	18,032	3,680	3,957	1,494	1,473	4,816	5,192
Net current assets.....	26,795	27,249	9,053	9,647	2,604	2,886	3,053	2,338
Stocks.....	31,632	29,003	12,369	12,155	3,200	2,420	4,836	6,457
"Quick" assets*.....	12,812	18,048	2,728	3,919	1,299	3,139	4,788	3,559
Reserves.....	23,815	6,581	6,848	7,859	2,184	2,386	2,174	2,345
Ordinary capital.....	4,826	24,132	1,000	1,000	1,129	1,129	5,128	5,128
Capital commitments.....	3,250	3,080	1,076	2,013	135	120	483	1,521

* Including cash balances, tax reserve certificates and quoted investments.

Reduced selling prices are but one of the moves that the motor companies have made against the day when competition among themselves and with foreign companies will grow fiercer. That competition is already taking a fighting form in the new models displayed at the Motor Show; and in the battle between BMC, Ford and Standard for the "baby" car market. Many of the companies have still to tackle the technical and financial problems in developing new designs; cars that have become almost staple lines over the years, with minor modifications in body panels and trim to freshen them up, will not always serve to satisfy an increasingly critical motoring public. The increases in fixed capital investment and the substantial increases in outstanding capital commitments that recent accounts reveal represent the first instalment of the cost of redesigning and re-equipment.

But a new strategic disposition of forces in the motor industry is becoming visible. In retrospect, one sees the first evidence of this deployment in the merger of Austin and Morris into the British Motor Corporation. This year has brought two more moves, this time towards vertical integration. Ford Motor arranged the complete absorption of Briggs Motor Bodies into its organisation and British Motor Corporation bought the ordinary shares of Fisher and Ludlow, both leading motor body manufacturers. It would be a little melodramatic to regard these moves as the gambits in an exclusive struggle between the Ford and British Motor concerns. But equally it is only sensible to recognise the fighting spirit of these two giants as something in a class apart from the admittedly considerable attack that some of the mere heavyweights in the industry could mount.

In any assessment of the financial prospects of individual motor companies, therefore, the investor must satisfy himself on a number of questions. There seems, on the evidence of the success of Ford and Vauxhall, to be great advantage in the maximum standardisation of power units and body pressings. Other companies have gone some of the way along the same road. British Motor, with its more loosely knit organisation, presumably offers opportunities in this direction beyond anything that has been attempted since the merger, if "Austin" and "Morris" can be turned into more complementary and less directly competitive marks than

they now are. The standardised power unit appears too frequently—in the policies of Ford, Vauxhall and Standard, for example—to be disregarded when the investor is looking for the keys of success. If Ford can produce five distinctly different cars, using only two basic engine units and three basic body pressings, they will set a hot pace for any other competitor who wants to cover as much as possible of the total market at the lowest production costs. There are some companies that will have to react sharply to such competition and to forget the cosy market conditions that they have enjoyed since the war.

The assumption is usually made, without benefit of proof, that in the home market, at least, the industry will continue in its high state of prosperity. Indeed, the alarming prospect of five million cars on the roads by the 'sixties recently suggested in these columns has a foundation somewhat more solid than mere fancy. Taxation policy will indeed be crucial. But whatever happens, competition of a more trenchant character than the motor industry has experienced for years is now beginning; profits are likely to be harder to earn and more likely to be ploughed back than paid out if they are increased.

One of the best tests, at this stage, that an investor can apply is to compare the measure of cover for the ordinary dividends of different companies that is afforded by their distributable earnings. Table II shows that the market itself puts a great deal of faith in this particular test, for the dividend yields on motor shares closely correspond with the companies' net earnings record. In the case of Ford Motor (whose financial year does not end until December) an increase in the ordinary dividend has obviously been discounted to an extent approaching 12½ per cent on the reorganised capital, compared with an equivalent 7½ per cent for 1952. The comparatively low yield on the shares of Rootes Motors, technically one of the more conservative groups, reflects a generous margin of earnings for the 32½ per cent dividend and to some extent also the limited market which these shares command.

Discouraged, perhaps, by low yields on the more promising shares and distrustful perhaps of the high yields shown by some of the others, the investor may be tempted to look around to see if there are attractions

TABLE II—MOTOR SHARE DIVIDENDS AND YIELDS

Ordinary Stock	Financial year-end	Earnings		Dividends		Market price		Yield	
		£ '000s	Per cent	£ '000s	Per cent	End-Nov., 1952	Nov. 25, 1953	End-Nov., 1952	Nov. 21, 1953
Ford Motor, £1.....	Dec. 31, 1952	3,774	40	709	7½*	25/6*	34/6	5.75	(a)
Rootes Motors, 4/-.....	July 31, 1953	836	152	179	32½	17/6	19/9	7.20	6.60
British Motor, 5/-.....	July 31, 1953	3,574	47	1,394	10½	6/3*	6/4½xd	8.00	8.25
Rover, 8/-.....	Aug. 1, 1953	370	58	160	25	22/-	23/9xd	8.70	8.40
Standard Motor, 5/-....	Aug. 31, 1953	509	18	338	12	5/9	5/6	9.60	10.90

* Adjusted to give effect to share bonus issues. (a) On a 7½ per cent dividend, the yield would be 4.35 per cent, on a 10 per cent dividend 5.80 per cent, on a 12½ per cent dividend 7.25 per cent.

elsewhere in the industry. The latest results of Rover, however, demonstrate that the moderate-sized companies have fared no better than the giants; and some of them are likely to fare worse in a struggle for markets. If he turns to the fringes of the industry, he finds that the increase in the Joseph Lucas equity dividend from 9 1/6 to 10 5/6 per cent was backed by a comparatively moderate advance in trading profits from £7.6 million to £8.2 million; and he may feel that the shares might look more tempting if the yield were rather higher than 4.6 per cent and if the directors had not taken the unusual line of announcing their intention in future of declaring a single dividend.

Business Notes

Budget Shock

IT is easy to see, now, why Mr Butler recently took good care to give warning that an important supplementary estimate was impending from the Ministry of Food, and also to emphasise that current Exchequer returns might seem to present the budget prospects in too favourable a light. The additional sum sought by that Ministry for the current fiscal year proves to be no less than £126.8 million, so that its total cash requirement for the year is now put at well over twice the £109.7 million originally estimated. This should give a salutary jolt to complacency about the trend of Exchequer finances—even though the true additional strain from the provision for food and agriculture is not so alarming as a bald comparison of these figures might suggest. This moderately consoling qualification arises from the fact that the estimates requiring Parliamentary sanction relate simply to the estimated need for cash, and make no distinction between current and capital expenditure. In fact, a substantial part of the additional sum now sought is needed because some of the Ministry's stocks have not fallen so fast as had been expected and other stocks have been substantially increased.

This capital portion cannot be precisely estimated, but a broad idea of its size can be deduced from the fact that £72 million of the supplementary estimate represents an increase in the bill for subsidies; a large part of the remaining £55 million reflects actual or prospective additions to stocks—notably, the purchases of Cuban and Commonwealth sugar to permit derationing, and unexpectedly heavy purchases of domestic grain. But even the addition for subsidies includes a portion that, if not "capital," is at least a non-recurring charge. Additional sums paid in subsidy on food that will be consumed this year (e.g., the national loaf, as distinct from the new white bread) are indeed current expenditure; but sums paid in

This is, indeed, a difficult field for the investor. But when investors are reconsidering their portfolios of motor shares, they might have in mind a few guiding principles relevant to conditions of keener competition. Shares in the smaller companies or on which current dividends are not handsomely covered by earnings require to be considered with a good deal of circumspection. There need be fewer doubts about the equities of the two public giants of the industry, but if the benefits of a high degree of standardisation in production policy are what they seem, the odds would appear to favour the old stager in preference to the two horses that still have to be made to gallop in tandem.

subsidy to farmers this year on produce that the Ministry retains in stock will reduce its subsidy bill in future. On this basis of reckoning, probably not more than half the £126.8 million represents true additional strain.

The Bill for Subsidies

FOR the same reason, it is impossible to deduce from the figures the true annual rate at which the food subsidies are running now. The original target for the year's bill was £221½ million (of which £185.8 million was to be accounted through the Food Ministry), compared with £331 million actually spent in 1952-53 and with a rate of £410 million before the cuts announced in Mr Butler's 1952 budget. This actual expenditure on subsidies in 1952-53 was reckoned to represent an annual rate of £250 million by the end of that year. Now the actual bill for 1953-54 is put at £293.6 million (£253.8 million of it through the Ministry of Food), and the equivalent true annual rate is officially stated to be much lower than this; but it is hard to say how well it will compare with the target of £250 million set up twenty months ago.

From the budgetary aspect, there is one further point that needs to be made. The Ministry's additional requirement, even if fully spent this year, will not cause a fully corresponding deterioration from the position shown by the Exchequer's "overall" account now, because £41 million of the sum in question has already been spent—under the "below-line" head of issues to the Civil Contingencies Fund. Including that expenditure, the "overall" deficit up to last Saturday was £630 million, compared with £722 million at the similar date last year. The budget estimate of the "overall" deficit for the full year was £440 million, or only fractionally more than the actual deficit for 1952-53.

Convertibility in High German

A LITTLE cynicism—but not too much—seems to be the right attitude to adopt towards last week's outburst by the German Minister of Economics, who told a gathering of economists at Godesberg that "the whole system of the European Payments Union is doomed to failure" because it is nothing more than "a system under which these countries that have put their house in order are forced to subsidise countries that have neglected to do so." Professor Erhard was speaking on the eve of a visit to Washington, with a plan in his pocket for a gradual advance towards what he chooses to call convertibility for the D-Mark. By convertibility he means that Germans should be allowed to buy more dollar goods with their D-Marks, not simply (indeed not mainly) that foreigners should be allowed to do so. A central feature of this plan is that intra-European trade surpluses and deficits should be settled by more payments in gold and by less injections of EPU credit. Since the natural regional pattern of Germany's balance of payments is for it to run a surplus with Western Europe, this would mean that Germany would tend to have more gold to spend; and it is a peculiar virtue of Professor Erhard's oratory that he manages to make himself sound very liberal when he says that Germany would use this gold to buy more dollar goods. Any statesman can be forgiven for hankering after a "convertibility plan" of this sort. The British Government could no doubt enjoy itself with a bonfire of some of its most irritating restrictions on dollar imports, if Britain's principal export markets all agreed to 100 per cent liberalisation and 100 per cent payments in gold; the only trouble is that those markets have not got the gold to pay over.

The fact remains, however, that the EPU system is now saddling Germany and some other European creditors with a burden of unrequited exports that is almost as grave as that which the sterling area system imposed on Britain during the peak periods of inflation and import excesses in Australia and other overseas dominions. To rectify this, Germany would like to see gold payments play a larger part in the settlement of EPU clearings after June 30th next; and it is very angry that the majority of members of OEEC expressed themselves against early action at last month's meeting at Paris. The managing board of EPU is now believed to be studying proposals whereby the EPU clearings might very gradually be settled in larger tranches of hard currency, and whereby debtors would not automatically receive credit but might have to ask for consent to stand-by credits within EPU, on the analogy of the stand-by credits granted by the International Monetary Fund. While this was going on, the proposals adumbrate, EPU creditors would gradually whittle down their discrimination against dollar imports; EPU debtors would be told that they must not protect themselves by new import controls, but should resort to currency depreciation and sterner internal disinflation (probably with the "advice" of OEEC missions); and eventually EPU might itself be merged into an enlarged IMF. In its later stages, therefore, this "plan" coincides very closely with the original British "plan" of last December; and it is along this road that all EPU countries express some intentions of travelling hopefully. But that does not mean that they are going to arrive.

The Savoy and Mr Clore

THE latest salvo in the battle of the bids has successfully blasted its way on to the front pages of the national dailies. The directors of the Savoy Hotel have issued a circular explaining why two hundred members of the hotel's staff, who are also stockholders, have set in motion the machinery of a Board of Trade inquiry into dealings in the company's shares. The directors report that the spurt in the company's shares from a 1953 low of 26s. 6d. to last Monday's high of 51s. (immediately replaced by 53s. after the issue of the circular) followed indications that "a big buyer (who was unidentified) had appeared in the market and was willing to buy anything up to £50,000 or more, at a price nearly always just ahead of the ruling market price." Shortly afterwards Mr Charles Clore, who has become the *eminence grise* of recent property deals, approached one of the directors of the Savoy and indicated that he would like a seat on the board; the "proposal was that the directors, most of whom spend their full time managing the business, for which they have been trained, should remain as directors, but with Mr Clore in financial control." The directors found this quite unacceptable, for they presumed that Mr Clore's objective would be "to dispose of [the company's] freehold property and lease it back again." "In the case of the Savoy," they declare, "such a procedure would bring ruin to the company, as the rents which would be payable at the Savoy and Claridge's and at the Berkeley, on a present-day basis, would be so high that the company could not survive." This seems to be tantamount to saying that the current return on these properties, in the use to which they are now put and as at present managed, does not give an economic yield on the capital values at which a free market would assess them.

In a speech at Bradford last week-end, Sir John Braithwaite, the chairman of the Stock Exchange, delivered a carefully-balanced judgment on all these take-over bids. "It is not a crime," he said, "to make a take-over bid, or to buy shares on the Stock Exchange with the object of acquiring control, and it is not a crime to use the names of nominees for that purpose"; but "what has been regrettable about some recent cases has been the premature leakage of information," and "what would be criminal would be the deliberate putting about of false rumours of take-over bids for personal profit. No case, happily, has so far been substantiated." Many people will also feel that there are dangers in a situation where the best-known and richest bidders have the power, in today's narrow markets, of ensuring a temporary rise in almost any share that they buy and with which they associate their names; and that one of these dangers is that they may bludgeon their way on to the board of companies that they could gut as well as on to those of companies that could be improved by managerial disturbance. The circular from the Savoy, like all good briefs, is well-calculated to stir these proper, if fearful, emotions. It notes that Mr Clore made his original approach to a director on a racecourse in France; it details the names and addresses of the nominees and solicitors concerned in the case, in phraseology that smacks of a detective's dossier; and it reports that Mr Clore intimated that "he thought it would be much better if the directors hitched their star with him," for otherwise "they would in time find they were

no longer 'in the saddle.' It may not always be wrong to judge these cases by reference to the emotions as well as to the reason; but no judgment, least of all an emotional one, should be passed until Mr Clore has exercised his right of reply.

Uncompetitive Exports

THE ostensible function of the National Production Advisory Council on Industry is to enable representatives of employers' organisations, the trade unions and the nationalised industries to advise the Government on industrial conditions and production. It sometimes even fulfils that function, for example all parties in it have recently been pressing upon the Government the need to help industry by devoting more resources to improvement of the roads. More often, however, the meetings of the Council provide a forum for Ministerial exhortations to industry, sometimes of a rather flatulent kind. Mr Butler's criticisms at last week's meeting derived importance because they were much more specific than usual. They were concentrated on one complaint. The Chancellor is disturbed that Britain has been steadily losing ground in many important non-sterling export markets in the last two years because British exporters are very loth to cut prices as competition increases. If a need arises to foster sales—and it very soon may arise in an acute form—the immediate reaction of American exporters is to cut prices to clear stocks. The immediate reaction of British exporters is to write letters to the press, which imply that anybody who has cut prices below hypothetical costs has done something rather shoddy. The recent loss to Germany of a contract for about £11 or £12 million of locomotives for India, where prices (not delivery dates or credit terms) were the deciding factor, has aroused this controversy in an acute form.

The current issue of the Treasury's "Bulletin for Industry" fills in the background to Mr Butler's forebodings, with some uncomfortably hard facts. Between 1950 and 1952 the volume of world exports rose by 7 per cent, but the volume of British exports fell by 5 per cent; in the first half of 1953 this trend was continued, for the volume of British exports stood still at the 1952 average while America, Germany and Japan all increased their exports by 5 or 6 per cent. In 1950 Britain's share of the exports of manufactures from the ten leading trading countries was 26 per cent; by 1952 it was down to 22 per cent, with exports of machinery, cars and rayon especially hard hit. There are some special factors that help to explain this fall: among them, the industrial resurgence of two of Britain's principal competitors in Germany and Japan, the exceptional impact of rearmament on Britain's exporting industries, and the concentration of much of the fall in world demand for manufactures in Britain's traditional markets of the sterling Commonwealth. But none of these—not even defence—is an ephemeral factor; in a later speech at Manchester this week the Chancellor again emphasised that "we should not anticipate in the near future any magic lightening of the load." It is becoming increasingly obvious that without the fortunate turn in the terms of trade Britain's balance of payments would now be looking very sick indeed.

October's Example

THE full trade returns for October, published this week, cast more light on the stickiness of engineering exports in the face of this foreign competition. October is nearly always a good month for exporters in general, partly because Christmas demand comes to the ports some weeks before it comes to the shops. Total exports last month are now estimated at £227.6 million, about £16 million (or nearly 8 per cent) above the third quarter's average. But, within these totals, exports of engineering products rose by only 3½ per cent to £84 million, and are thus still £3 million below their monthly average in 1952. Shipments of vehicles and machinery each rose by £1 million above the third quarter's average, but both were £1 million below the monthly average of the second quarter (and £600,000 and £2 million, respectively, below the average for 1952). Exports of "other manufactures" rose to £49 million in October, a full 9 per cent above the third quarter's average; there was a fall of £500,000 in exports of refined petroleum, but exports of chemicals increased by nearly £1 million, those of arms and ammunition by some £1,500,000, and shipments of footwear and plastics were also notably higher. Textiles continued their recovery; total textile exports reached £35 million in October, some 6 per cent above the third quarter's average. Exports of metals rose even more sharply, to £26 million or 13 per cent above the third quarter's average; this was mainly due to larger shipments of iron and steel.

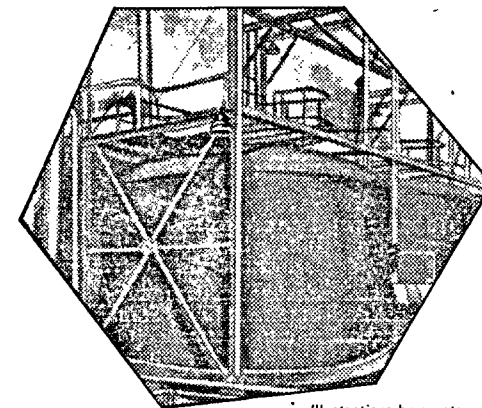
Recorded imports in October were £5 million higher than the third quarter's average of £275 million, but they were distorted by the recording as "imports" of the aircraft and parts recently received as a gift from Canada. When allowance is made for these gifts, the October figure for imports is reduced to £275 million and the third quarter's average

THE TREND OF BRITISH EXPORTS
(£ million—monthly averages or calendar month)

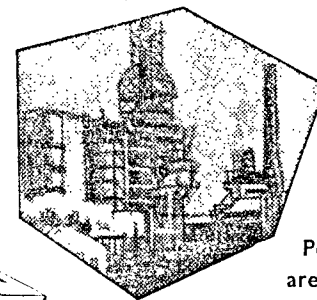
	1952	1953			
		First qtr.	Second qtr.	Third qtr.	Oct.
Food, drink and tobacco	13	12	12	13	14
Raw materials and articles mainly unmanufactured . . .	9	10	10	9	10
Articles wholly or mainly manufactured :—					
Metals	23	24	23	23	26
Engineering products	87	83	86	81	84
Textiles	32	31	30	33	35
Other manufactures	44	41	43	45	49
Total Utd. Kingdom exports	215	208	210	212	228

to £268 million, compared with the monthly averages of £282 million in the first half of 1953 and of £290 million in 1952. Trade with the sterling area in October showed an increase of 9 per cent in British exports and of 4 per cent in British imports above the third quarter's average; exports to the non-sterling countries also increased by 6 per cent, but imports from them stood still.

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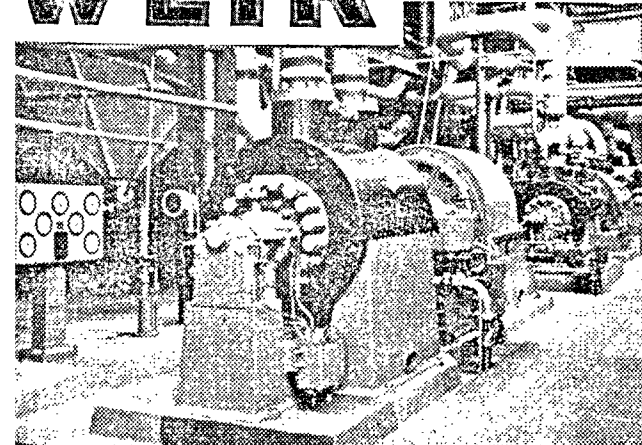
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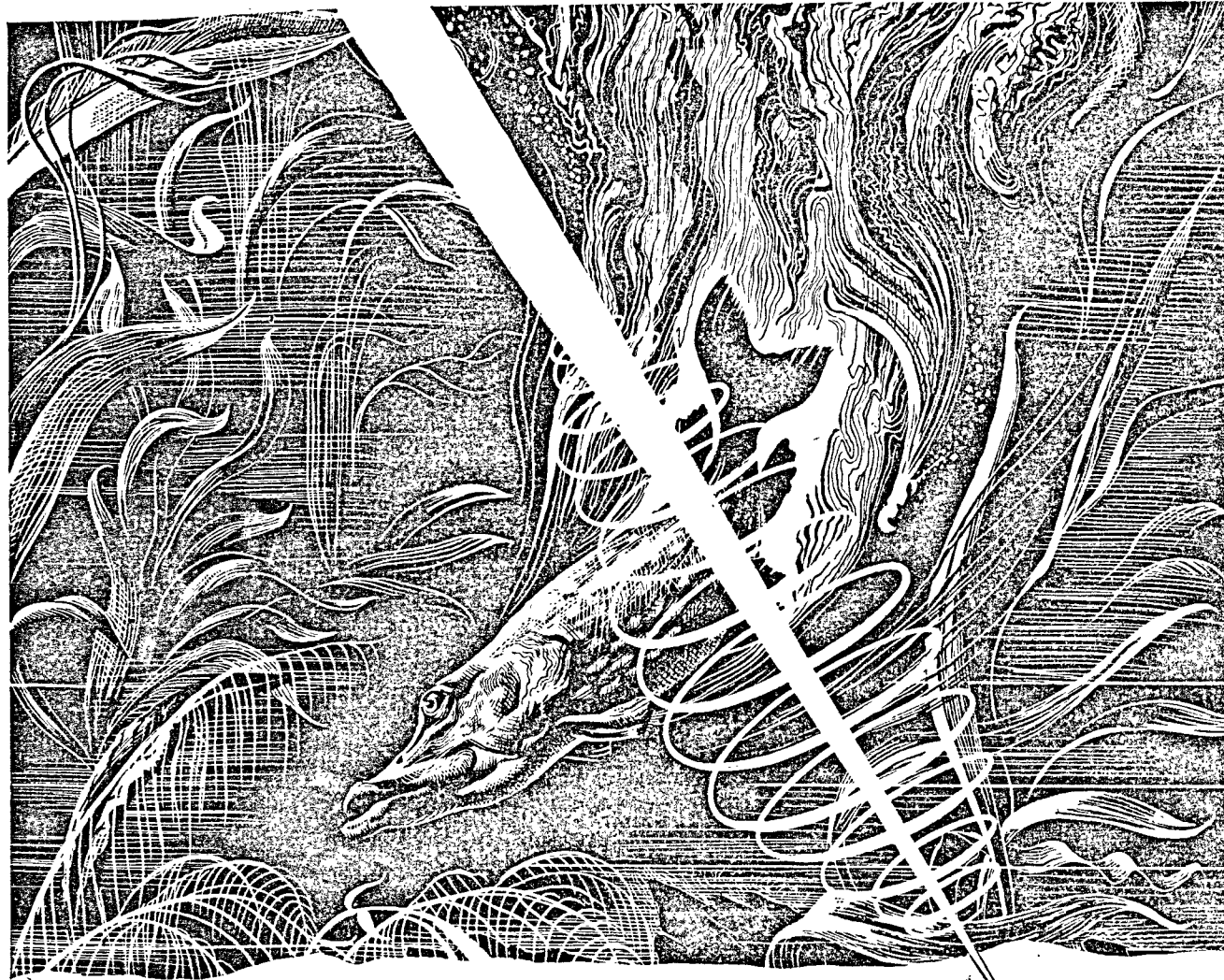
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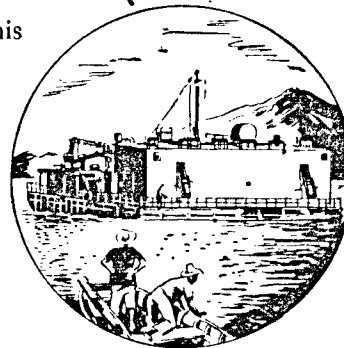
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Atomic Exchanges

THE American Government's offer to Britain of a barter deal on atomic information is generally taken as a sign that American scientists believe their British counterparts have some information worth the exchange. At this stage, neither side knows whether this is in fact true. During many recent months of discreet discussion, representatives of both countries have attempted to discover the extent of progress made by the other, without revealing their own hand. British scientists have come home from these sessions with an impression, but no proof, that they may in certain fields be ahead of the Americans, and the Americans have learnt enough about British developments to suggest that both parties should now put at least part of their hand on the table. The British reply has made it clear that this country expects the cards to be of reasonably high value.

The next step is for the American Government to prepare a list of the headings on which information might be exchanged. When this list has been studied in London, the British scientists will then decide whether they consider these headings provide a useful basis for negotiation and what they would be prepared to offer in return. The matter is one for keen horse-trading. American regulations that prohibit the release of atomic information to other countries relate only to weapons, and given some latitude in interpretation, it might be possible to exchange information on pure research, on industrial developments and (as has already been done to a limited extent) on the effects of atomic weapons, without introducing amending legislation into Congress. A pooling of data on such aspects of the work would go some of the way towards reducing the very expensive duplication of effort that has taken place in Britain, the United States and Canada as a result of the American policy of strict atomic secrecy. But the rapid development of atomic weapons in both countries is beginning to indicate that nothing short of full exchange can provide a really satisfactory and economical working arrangement between the three countries.

Rejuvenating the BIF

THE Government's proposed face-lifting operation on the British Industries Fair will hardly prevent that institution from showing its age, but it may make it easier for the old lady to move with the times. The London section of the fair, which deals largely with light industry, is organised by the Board of Trade, while the engineering section at Castle Bromwich is run by the Birmingham Chamber of Commerce. From next year, the management of the London section will be taken over by a "non-profit-making company" on the lines suggested by Sir Ernest Goodale's committee. The committee noted that the Birmingham sections regularly showed a profit and concluded that the London sections might do the same if placed under a management not continually changing as civil servants were promoted. But the fair dates back to the days when exports were a sideline for many British industries rather

than a necessity for the country's survival. An exhibition representing all industries, with the hotch-potch of exhibits that both buyers and sellers find so irritating today, suited the foreign agent who used to come once a year to arrange for the delivery of a variety of lines from a variety of industries.

The growth of British export business has outmoded this method of trading. The foreign agent with a large general warehouse has been widely replaced by the specialist, and the amount of business done with foreign buyers is usually big enough to justify the holding of special trade exhibitions. It is these exhibitions that have drained the vitality from the BIF. The Birmingham section has the common theme of engineering products to hold it together. But the market-square atmosphere that was such a noticeable feature of the London sections, with their odd jumble of food and printing machines, textiles and boats and jewellery and chemicals, is considered inappropriate today by companies that have been prominent exhibitors in the past. They prefer the more selective atmosphere of the trade exhibition, or the even more *recherché* one of a private show. Yet for small companies, and small industries, the BIF is the one opportunity to attract foreign, or sometimes even home custom. Not every industry has its trade show, and there is not always space for every company that may want to exhibit. But if the new body is to keep the London section of the BIF alive, some big exhibitors will have to be attracted. Without their support, it would be difficult for the fair to survive.

Aid for Natural Rubber?

THE United States Government has responded quickly to the International Rubber Study Group's suggestions of action that it might take to relieve the depressed price of natural rubber. These suggestions, which were discussed in *The Economist* of November 7th, were that the United States should raise the price of synthetic rubber, re-examine its policy for rotating the strategic stock of natural rubber, and revoke a directive which stated that the compulsory use of synthetic might be reimposed at a minimum level of 450,000 tons a year for GR-S and of 60,000 tons for special purpose rubber. In law, the minimum requirements are only 200,000 tons and 22,000 tons. The directive has now been withdrawn, and the General Services Administration, which buys natural rubber for the American stockpile, has called a meeting of its rubber industry advisory committee, representing the rubber trade and the manufacturers of rubber products, to consider how best to rotate its stock. The withdrawal of the directive is a gesture—and conceivably a helpful one. But too much should not be made of it, since the actual consumption of GR-S synthetic is still running at about 550,000 tons a year, well above both the level limit of 200,000 tons and the possible raising of the minimum to 450,000 tons; but the existence of the directive was something of a bogey to the natural rubber producers, who felt that the time could come when American manufacturers might restrict their consumption of natural rubber to avoid the possibility of enforced usage of synthetic.

More tangible help may come from the meeting of the

GSA and its advisory committee in the first week of December. The agency has been selling about 10,000 tons a month of low grade rubber from the stockpile, for delivery up to six months ahead. American manufacturers have thus been able to obtain virtually all their requirements of low-grade rubber without coming to the market. This has widened the discount on those grades in the market, and has probably helped to depress the price of the high grade rubber that the agency buys to replace its low grade stocks. The GSA is evidently considering the suspension of rotation for a time, and then resuming it on a smaller scale; the present rate of rotation certainly appears to be unnecessarily high. The agency's announcement did not mention the oft-repeated pleas for a higher price of synthetic rubber; in any case, this is not within its province. But such a step appears no more likely now than it ever did.

New Ways with Dividends

THIS week the directors of Unilever have set a precedent that could hardly be of general application, and the directors of Joseph Lucas have set a thoroughly bad one, in the manner of their dividend announcements. With their announcement that the interim ordinary dividend of Unilever Limited is to be raised from 5 to 6 per cent and that of Unilever NV from $4\frac{1}{2}$ to $5\frac{1}{4}$ per cent, the directors of Unilever have told shareholders what they can expect to get when the full dividend for the calendar year 1953 is declared late next spring. They expect to raise the final dividend of Unilever Limited from $8\frac{1}{2}$ to $9\frac{3}{4}$ per cent (thus increasing the full year's payment from $13\frac{1}{2}$ to $15\frac{1}{4}$ per cent) and that of Unilever NV from $7\frac{1}{2}$ to $8\frac{3}{4}$ per cent (increasing the full year's payment from 12 to 14 per cent). These increases have been announced, the directors state, with full "regard to the financial results of the year to date" and to the fact that "increases in interim dividends may cause conjecture as to the amount of the final dividend." It is true that "conjecture" about the Unilever payments has been especially widespread since the Dutch dividend limitation law was annulled in September, and the group's financial year has only six weeks to run. Evidently, the Unilever boards are in a position to take a conclusive decision on their dividend policy. But their case may be exceptional; many boards would be reluctant to commit themselves so far in advance or to forgo the opportunity, some time after the end of their financial year, to frame their dividend policy in terms of immediate prospects as well as past results.

The directors of Joseph Lucas have taken quite a different course. After announcing an increase in the full year's dividend from $9\frac{1}{6}$ to $10\frac{5}{6}$ per cent, they have declared that they "do not propose to recommend an interim dividend in the forthcoming year, but to include in the dividend at the end of the year the sum which would otherwise have been declared as an interim dividend." This decision has not been taken out of a deliberate desire for obscurantism, but its effects are wholly regrettable. Investors have bought the shares of Joseph Lucas in the belief that they can expect dividend cheques—and thus some indication of the current profitability of their company—at least twice a year. It may be administratively

convenient, and even yield a small saving, to take away this privilege; but administrative convenience should never be an excuse for making life more difficult for shareholders.

Cheaper Commonwealth Sugar

THE annual talks between the Ministry of Food and representatives of Commonwealth producers have fixed the "negotiated" or support price of sugar sold under the Commonwealth sugar agreement in 1954 at £41 a ton, a reduction of £1 6s. 8d. on this year's price. Britain undertakes to buy 1,568,000 tons of sugar a year at the support price and New Zealand has a similar obligation to buy 75,000 tons. The agreement, which provides an assured market in Britain at a fixed price for the bulk of Commonwealth exports, has been extended for a further year to the end of 1961. The reduction in price reflects a fall in the prices of sugar bags and other materials, and is the first reduction since the agreement became effective in 1950, when the price was £30 10s. a ton. The Commonwealth countries are largely high-cost producers, and the new price, which is equivalent to roughly 42s. a cwt. c.i.f. United Kingdom, compares with a current price in the free market of about 29s. a cwt. c.i.f. The free price, which was appreciably higher than the support price during the inflation of the market in 1950 and 1951, is now severely depressed, but it may rise slightly next year if the International Sugar Agreement comes into force and succeeds in stabilising the market.

The Commonwealth's exportable surplus in excess of the 1,640,000 tons that are sold at the support price, finds a market in Canada or Britain at the free price, plus the preference of 3s. 9d. a cwt. In 1954, this excess is likely to be about 550,000 tons, of which some 400,000 tons or more will go to Canada. Britain's obligations to Commonwealth producers, and similar obligations to home producers of beet sugar, are the two principal difficulties that are holding up the complete freeing of the sugar trade and the re-opening of the London market. Some means have to be found whereby Commonwealth and domestic sugar would be fully taken up at the respective support prices, despite the competition from cheaper sugars bought in the free market. Discussions on this problem are now being held between the Ministry and the trade. One proposal is that the prices of all sugars for domestic consumption should be "weighted" according to their share of the market, to produce an equalised price to the refiners.

Saving by Lottery

LORD PIERCY and his associates in the Industrial and Commercial Finance Corporation have long been in the first rank of those to advocate new methods of attracting savings into risk investment, now that those savings can no longer be garnered from the tax-ravaged rich but must come from "an aggregate of small surpluses, spread over a very large number of individuals." In an address to the Manchester Institute of Bankers last week, Lord Piercy sponsored

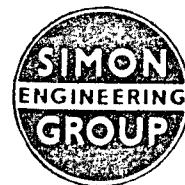
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A warning to the new reader

DURING the last few months, some 10,000 readers have changed to the Manchester Guardian. This is agreeable to us, and encouraging. But are we in danger of becoming a 'successful' newspaper, with all the failings that this word implies?

We hope not, and we think not. These new readers must take us as they find us. They are intelligent people. They will hardly expect the Manchester Guardian to dance to their tune, or to tremble lest occasionally a point of view conflicts with theirs. The Manchester Guardian is an outspoken newspaper, which takes its mission seriously (although never solemnly!)

A newspaper is an important influence in the life of the regular reader. Let that newspaper, then, be the best that, in this fallible world, fallible men can produce. The Manchester Guardian can make no higher claim than that it does its best to respect the truth, the English language, and the reader. You may find that this is exactly what you want.

*If you have any difficulty in getting your Manchester Guardian regularly, please write to:
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a new idea—or rather revived a very old one—namely, the sale by the state of lottery tickets. He believed that if savings are to be attracted away from the vast sums that are spent on drink, tobacco, entertainment and betting in this country, an appeal must be addressed to the “speculative” instinct instead of relying on hopeful homilies about thrift. For this reason he suggested that the unit trust movement and the “penny equity” scheme (advocated by his associate Mr J. B. Kinross) are too conservative to make a real impact on the working classes in this country. Their interest might, however, be attracted by a lottery. It could be run by the state or a public corporation; and the unlucky contributors need not all lose their money but could be compensated with long term and low interest bonds or life insurance cover, while the winners would get a few glittering prizes.

Lotteries, of course, are common in Europe; they may have helped to make good some of the shortcomings of creaking systems of taxation, but they have not exactly proved a magic wand in restoring the financial solvency of France and its neighbours. They are reported to have been very successful in Soviet Russia, but sales of anything—even of pups—are customarily successful in that country, where government salesmanship is a blunt but effective art. Again, both English and Irish lottery tickets figured prominently in the London stock exchange lists during the eighteenth and early nineteenth century. The Victorian middle classes, though they discovered moral reasons for condemning lottery tickets, withdrew their support from them mainly because more profitable outlets for their savings opened up with the industrial revolution. There must also be a grave doubt whether the state is an appropriate instrument to collect risk savings, and it certainly is not the right instrument to distribute them; it might fulfil the function of collection more simply by the nationalisation—or by more milking of the funds—of football pools. In the end, any system of this sort would probably add something to the wealth of this country. But it is more debatable whether it would add anything to the country's welfare; certainly the churches and the football pools (for very different reasons) will maintain loudly that it would not.

Films and Funds

MR HAROLD LEVER last week not only talked out the Government's bill to extend the life of the National Film Finance Corporation for another three years; he also said a few sensible things about this and other methods of financial assistance to film production that deserve to be rescued from the verbiage of his filibuster. Mr Lever could not see why, if the film industry—or rather one section of the industry—must receive special financial assistance from the Government, other “artistic and useful” industries that are being squeezed out by taxation should not be similarly helped. Purchase tax has hit some other small industries exceedingly hard, yet they get no concessions. Moreover, Mr Lever disliked the prospect that the Corporation might continue to lend money to companies already in debt. At the beginning of the ill-fated debate, the President of the Board of Trade said that the £6 million now on loan to the industry had come to represent the film producers' working capital, and that they relied upon the Corporation to provide it. But £3 million of that total has been lent to one com-

pany, British Lion, and left with it. While the Corporation is generally being repaid at about the same rate as it is making its fresh loans of working capital, British Lion is unlikely to be able to repay that £3 million in the foreseeable future: the company's accounts for the year ending March 31st, disclose a net loss of £150,330, or slightly more than its net loss a year earlier, when allowance is made for an anticipated loss of about £200,000 on films produced.

The film industry was no whit disturbed by these criticisms, and took the completion of the debate this week, when only Mr Lever dissented from the second reading of the extension bill, as a matter of course. Producers and exhibitors, having reached a peace under duress over the renewal of the levy scheme, are now airing their separate proposals for future reductions of Entertainments Duty. While the exhibitors' accountants are working out schemes based on a reduction in the amount of tax per seat, the producers have decided that the Chancellor of the Exchequer should introduce a tax rebate scheme. Both sides speak as if a reduction in tax is a certainty, and that the only matter in doubt is the extent of the reduction; they scout discussion on the awkward topic of passing on some portion of the reduction to the patrons themselves. The Chancellor may have other views.

Scottish Bank Dividends

THE movement among the banks to thaw out their long frozen rates of dividend seems to be gathering momentum. Two of the Scottish banks have recently raised their dividends, while a third Scottish bank has now proposed a change in its capital that may be intended as a prelude to an increase in its dividend in future. And this week, too, the recent proposals by Barclays Bank for capital reorganisation (with which an increase in dividend was associated) were approved by class meetings of stockholders. The latest Scottish proposal comes from the National Bank of Scotland, an affiliate of Lloyds Bank, whose £1,100,000 of Consolidated capital stock is at present in £500 units, with only £110 paid-up. The directors will shortly propose a draft of £150,000 upon revenue reserves for the purpose of increasing the paid-up proportion to 25 per cent (so raising the total paid-up capital, including £400,000 of “A” stock, to £1,650,000) and splitting the stock into the more marketable form of £1 units, 5s. paid. Meanwhile, the dividend is being maintained at 16 per cent for the year to October 31st last. The two Scottish banks that have already raised their dividends are both independent institutions—the Royal, whose dividend is now 18 per cent, instead of 17 per cent, and the Commercial, which is paying 16 per cent instead of 15 per cent.

All three banks have announced moderate increases in profits for 1952-53—the Royal from £596,000 to £621,000, the Commercial from £380,000 to £394,000, and the National from £287,000 to £306,000. An intriguing feature of the balance sheets of the two latter banks (the Royal's balance sheet is not yet available) is that both show a perceptible increase in advances over the twelve months. Advances of the London clearing banks have still been declining—but chiefly under the impact of heavy repayments by the nationalised utility industries out of the proceeds of capital issues.

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These South African people certainly keep on improving their wines—especially their sherry. It's a credit to them.

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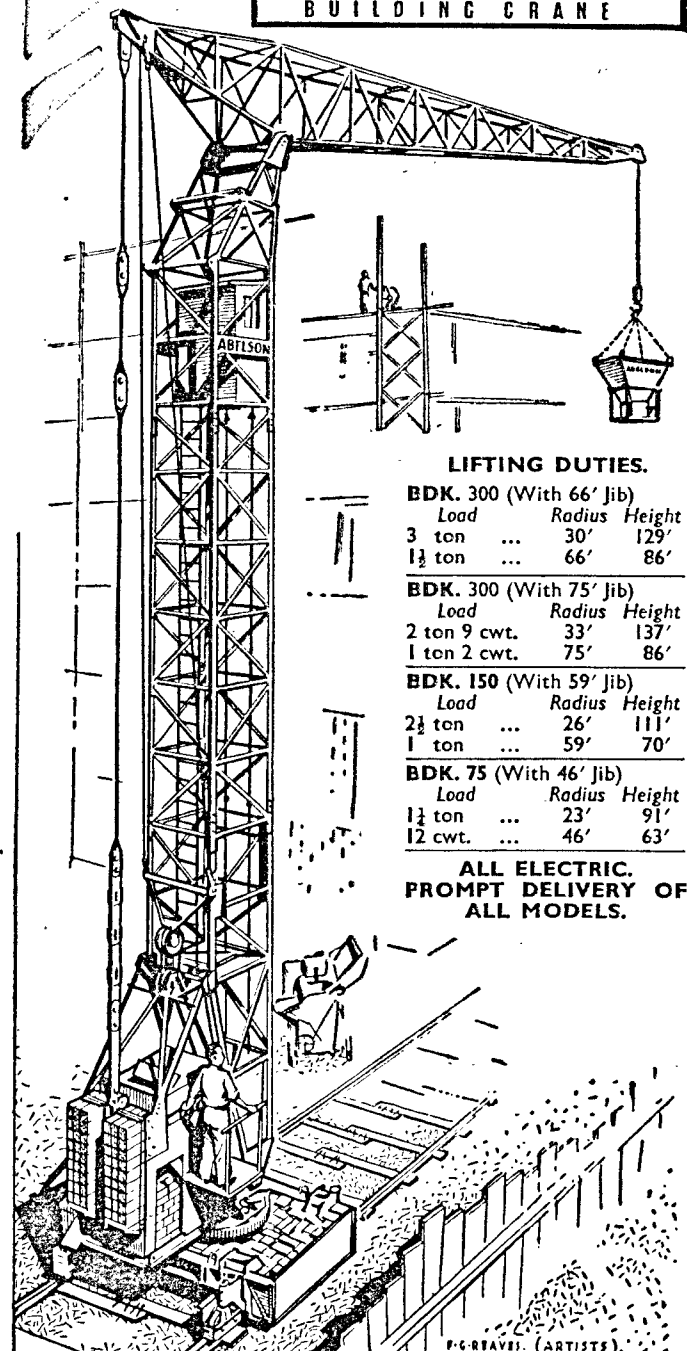
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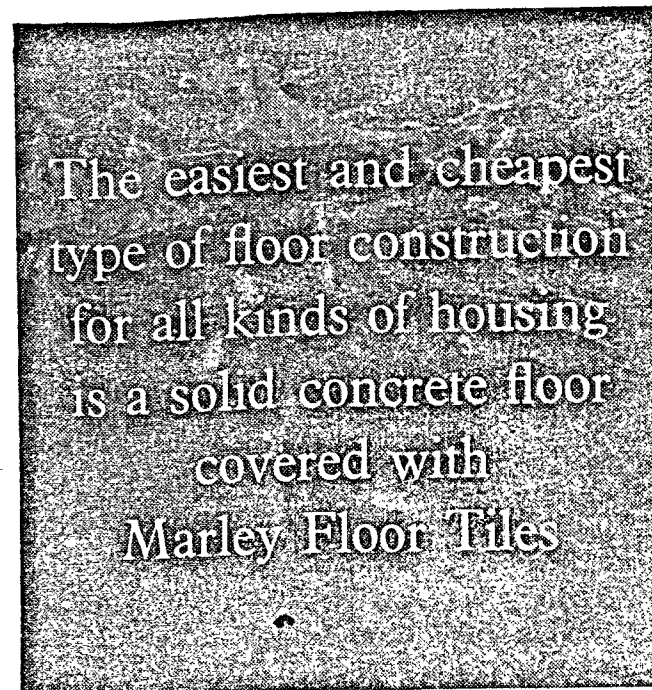
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Remploy Works its Passage

NO simple criterion can be devised by which to judge the performance of Remploy, Ltd., the company formed in 1945 to provide work for seriously disabled people who cannot work in ordinary industry. Industry as a whole has to reserve 3 per cent of its jobs for the less handicapped people in the Ministry of Labour's "Category One"; Remploy employs 6,000 of the 14,000 in "Category Two," hopes eventually to find work for some 4,000 more, and counts the remainder too difficult to reach with employment, except at prohibitive cost. In eight years, the company has thus come some way towards achieving its central purpose; this too, however, not without cost.

In its first seven years it opened for disabled workers some 90 small factories, half of them between 1949 and the end of 1951. This continuous, fragmentary expansion would probably have spelt a continued trading loss even for a company employing able-bodied workers, barring some ravenous new market. Being undertaken simply in order to increase employment of people whose physical efficiency is rated at 26-33 per cent of that of the able-bodied but who receive about 75 per cent of the normal wage rates, it cost Remploy some £4,300,000 more than the company could earn from selling the goods these workers produced. These products are diverse; furniture, surgical boots, cardboard boxes and specialised packages, brushes and brooms, leather-work and some light engineering goods; they have to be chosen with regard not only to demand, scale of operations, and the special labour supply in a given locality, but also to disability.

Of the first seven years' loss, £2,443,000 was incurred in 1951-52; in the year ending March 31st last, with no further expansion in its number of factories, Remploy pulled its loss down slightly to £2,380,400. Its net deficit on trading was some £1,800,000; its turnover was probably about the same sum, so that the total costs were about double the turnover. The company's chairman, Sir Robert Burrows, who characterised the economics of Remploy as "topsy-turvy," was able to compare with its loss the substantial if not easily calculable cost of keeping these people idle; financially, the company thinks, this would be at least £200 a year each. The operations of Remploy cost the taxpayer rather less than £400 a year for each of the 6,000 workers, who get on average just under £300 a year plus some intangible satisfactions that no pension could confer. The company must certainly be encouraged to work its passage towards solvency as well as towards employing all the physically handicapped; but financial results would obviously be an incomplete measure of its effectiveness.

A Dearer Cup of Tea?

TEA blenders' hopes of a further decline in the price of common tea have been dashed by the disappointing trend of production in North India, the largest producer, in the last two months. Prices at the London auctions have fully recovered, with clean common broken pekee

reaching a new peak of 3s. 6½d. a lb, despite the seasonal falling-off in quality. Although the fall of about 20 million lb in output in North India this year has been more than offset by a rise of some 28 million lb in Ceylon and South India, the London trade feels that there will not be quite enough tea available for the remainder of the season. Spot supplies in this country are short, and stocks, which should be rising at this time, are in fact stable and represent little more than two months' consumption. Prices of common tea are expected to remain at about the present high level until supplies from the 1954 North Indian crop begin to reach Mincing Lane in July. The news that crop restriction in North India may be continued in 1954 does not appear to have affected market sentiment. Poor weather, rather than restrictive plucking, has been responsible for the fall in output this year, and the trade is sceptical of the effectiveness of restriction when the outlook for tea prices is so favourable.

The high price of common teas, which are used to cheapen the price of the good quality blends, is expected to lead to an increase of up to 4d. a lb in the average price of packet tea in Britain. As the average price of teas at auction has increased by about 7½d. a lb this year, and packet tea by only 4d. a lb, an advance in prices may be overdue. So far, the pressure of competition seems to have had more influence in restraining an advance than the fear of discouraging consumption.

Building and Materials

THE biennial building exhibition now being held in London faithfully reflects the industry's conservative tastes in materials and methods of construction. This year its stands serve to emphasise the absence of controls on the use of many traditional materials and the revival of competition between materials suppliers. The return of such materials as copper, lead, zinc and steel, side by side with the alternative materials developed during the period when their use was severely restricted, is giving the building industry a freedom of choice that it has not enjoyed for many years, at a time when its own volume of activity is at an inflated level. The physical curbs that still remain on this expansion of building activity are the strictly limited supplies of bricks (or rather, of fletton bricks) and cement; but the greater diversity of other materials available may mean greater flexibility in the style and the techniques used for the buildings themselves. If the building industry does not take these opportunities, it may find the enterprising and ingenious producers of permanent pre-fabricated houses treading too close behind it for comfort.

Output of bricks and cement is no more than adequate for the present rate of building and only builders who have taken the precaution of ordering well in advance can expect regular delivery. Production of cement is running at an annual rate of rather more than 11 million tons, of which 2 million tons are committed for sale abroad. Any gap between production and home demand has to be supplemented by imports of high-cost European cement, which is coming in at a rate that varies from 40 to 60 thousand tons a month. Brick deliveries depend entirely on production at local yards, since it would not be economic to import signifi-

cant quantities. Production is running slightly above estimates at a rate of more than 7,000 million a year—sufficient to meet the government's programme of 300,000 houses and leave a small margin over. But so long as builders are reluctant to use bricks other than flettons (which are usually the cheapest) local brick shortages are bound to persist, since flettons make up only a portion of total production. Capacity for both brick and cement production is expanding, but the building industry and its suppliers already employ one in eight of the working population of the country and it is doubtful whether it is in the best interests of the economy to encourage this further investment in this field.

SHORTER NOTES

A point brought out by Mr. J. W. Platt, chairman of the newly formed Shell Tankers, Ltd., at the launching of the "Hadra" a week ago merits particular consideration. By 1957 tanker tonnage will represent 35 per cent of all merchant shipping throughout the world and 34 per cent of all ships under British registry. The fact that Britain is keeping abreast, however, is due mainly to the activities of the oil companies; British independent owners now have only 10 per cent of the world's independent tanker tonnage. The Shell group has on charter about 4 million deadweight tons, of which 3½ million tons are of non-British registry—"a measure of the opportunities that have been open to British owners in a very sound business."

Company Notes

DEBENHAMS. Immediately after the publication of the full report of Debenhams (for the year to July 31st last), the company's 4s. ordinary stock units were marked down from 36s. 9d. to 34s. 9d. This was not so much a reflection on the company's recent trading—although the full accounts show that the increased dividend of 50 per cent takes as much as £550,000 from net profits of £1,123,509—as a mark of disappointment with the chairman's speech. In his speech, Mr G. M. Wright went out of his way to scotch suggestions that the company was considering a "property deal" and to express his opposition to any drastic scheme to revalue the company's freehold properties. These properties stand in the consolidated balance sheet at a value of only £16.3 million, although they are insured for about £31 million; and some investors have suggested that if they were sold and then leased back to the group, this would give rise to surplus proceeds that could be distributed to shareholders. Mr Wright pointed out that these proposals would merely substitute high rental charges (with the attendant danger of increased rateable values) for "advantageous mortgage terms," and would put the group continually in danger of "heavy uncontrollable expenses." He also believed that the hiving off of the group's properties into a separate company would be of no particular advantage (unless it were an

administrative advantage); it would involve considerable expense and it would not alter in any way the earning power of the group. In other words, the group's

	Years to July 31,	
	1952	1953
Consolidated earnings:—		
Trading profit.....	3,608,436	3,939,136
Total income.....	3,669,682	4,033,628
Depreciation.....	292,933	341,253
Taxation.....	1,981,304	2,133,947
Net profit.....	986,122	1,123,509
Ordinary dividends.....	328,125	*550,000
Ordinary dividends (per cent).....	31½	*50
Retained by subsidiaries	246,714	250,007
Reserves.....	50,000	50,000
Added to carry forward.	12,308	19,790
Cons. balance sheet:—		
Fixed assets, less depreciation.....	20,437,973	21,023,083
Net current assets.....	6,802,758	5,345,252
Stocks.....	6,440,751	5,672,925
Cash.....	2,497,764	2,163,728
Reserves.....	15,028,790	22,618,617
Ordinary capital.....	2,000,000	2,000,000

4s. ordinary stock at 31s. 9d. yields £5 15s. per cent.
* Excluding tax free distribution of 2½ per cent, absorbing £50,000, from capital profits.

recent action in revaluing the shares held by the parent company in subsidiaries (an action that gave rise to a book surplus of £6½ million) should not be regarded as the first stage in a drastic revaluation of all the group's fixed assets. Mr Wright is, of course, quite correct in pointing out that magical "fiddles" in the group's accounting practices cannot create more money for shareholders out of thin air.

The Agricultural Mortgage Corporation has reduced the rate of interest that it charges on new loans from 5½ to 5 per cent. This is the second reduction this year, as the rate came down from 6 to 5½ per cent last May. The Corporation traditionally adjusts its lending rates in line with changes in the rate at which it can itself borrow on new issues in the capital market.

The member countries of the International Civil Aviation Organisation's weather-ship service in the North Atlantic (Britain, France, Holland and Norway) are to meet in Paris to discuss the effects of the United States' decision to withdraw from the service. American weather ships have been covering the whole of the western and part of the mid-Atlantic areas; the American government hopes to have all 14 of them out of service by the end of June.

Car production during October is provisionally estimated as 53,170 compared with 38,917 in October, 1952. The rate of production was higher than in September, a weekly average of nearly 13,300 compared with 12,860, but because October was the shorter month, the September total of 64,304 cars for the month was the higher. Deliveries to the home market as indicated by the number of new registrations, had reached 180,000 in the first eight months of the year compared with 108,000 during the same period in 1952.

But the book value of the company's assets—as with many other stores—is so absurdly below their real value that shareholders have no means of knowing whether the dividends they receive are a full return on their company's true economic worth. To please the publicists, rather than to placate the "speculators," Mr Wright might be wise to think again.

TRINIDAD LEASEHOLDS.

The full accounts of Trinidad Leaseholds suggest that its proposal to double its ordinary capital by capitalising part of its reserves cannot necessarily be interpreted as a sign that another dividend increase is in prospect. Shareholders may have to be content with the equivalent of the new tax-free ordinary dividend of 20 per cent (which compares with 16½ per cent for 1951-52) for another year at least. Although the group's revenue reserves were as high as £9,883,448 on June 30th last, the chairman emphasises in his statement to shareholders that it is "an absolute necessity" that the group should have "adequate liquid resources available at all times to enable it to maintain and develop efficiently its widespread operations in the face of competition and economic and other uncertainties." Later, in commenting on the rise in the group's cash balances from £2,982,371 to £4,460,823, Mr Vos made this point again; and he added that the group faces heavy liabilities for current and future taxation.

Production in the company's oilfields in Trinidad improved again last year and throughput at its refineries continued to rise, from 26,568,700 to 27,143,500 barrels.

But this increase in output and sales was more than offset by an increase in operating costs and a fall in tanker freight rates. In consequence gross profits fell from

	Years to June 30,	
	1952	1953
Consolidated earnings:—		
Trading profit.....	7,970,939	6,774,493
Depreciation.....	1,529,906	1,748,324
Taxation.....	4,228,868	3,150,461
Net profit.....	1,899,952	1,774,632
Ordinary dividends.....	*273,242	*327,890
Ordinary dividends (per cent).....	*16½	*20
Retained by subsidiaries	565,579	604,972
Replacement and exploration reserve.....	600,000	500,000
General reserve.....	500,000	500,000
Added to carry forward.	5,774	91,204
Cons. balance sheet:—		
Fixed assets, less depreciation.....	6,382,798	6,322,720
Trade investments.....	5,317,684	5,420,616
Net current assets.....	4,503,692	5,575,997
Oil stocks.....	1,986,508	2,453,551
Stores.....	2,638,519	2,985,516
Cash.....	2,982,371	4,460,823
Reserves.....	11,544,674	13,210,333
Ordinary capital.....	1,639,452	1,639,452

5s. ordinary stock at 30s. 6d. yields £5 7s. per cent.
Tax free.

£7,970,939 to £6,774,493. If the oil share market should enter one of its periodical pauses, the yield of £5 7s. per cent on the company's 5s. ordinary stock, at the current price of 30s. 6d., may not be immediately enticing.

GLAXO LABORATORIES. At their current price of 46s. 3d., the 10s. ordinary stock units in Glaxo Laboratories yield only 3.8 per cent. The new dividend of 17½ per cent (which is 2½ per cent above the effective rate for 1951-52) admittedly absorbs only £153,297 out of net profits of £1,585,025. With this massive cover, there need not be much fear that the dividend for the current year might go down; but neither the company's full accounts nor Sir Harry Jephcott's statement accompanying them suggests that the market is wise to pitch its hopes so obviously on to the assumption that the dividend will continue to go up. In the year to June 30th last, the group's export sales and prices

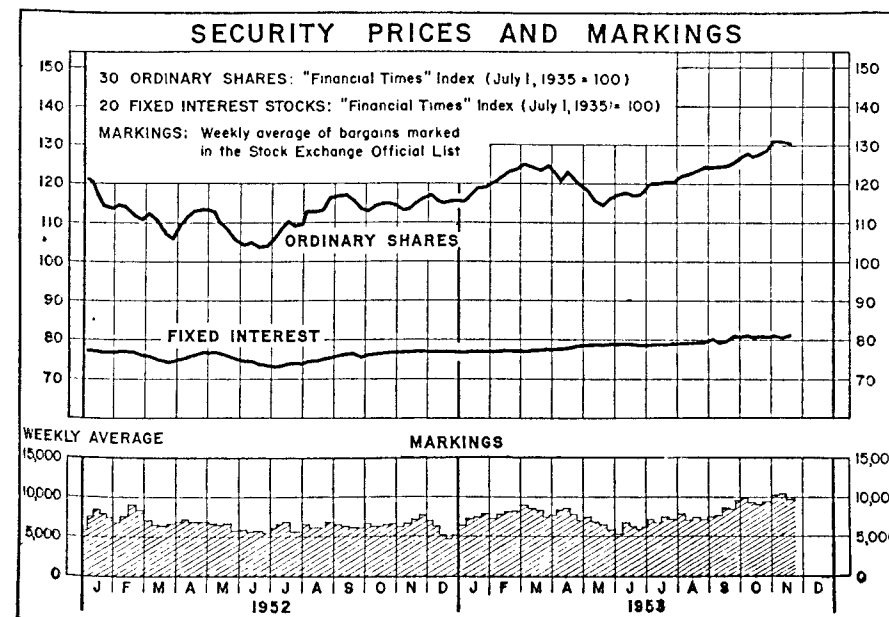
both fell; import restrictions caused a drastic narrowing of available world markets, and in those that remained competition in the sale of antibiotics was so fierce that substantial quantities of penicillin were "offered at prices little, if anything, above the bare factory production costs." The group is so heavily dependent on overseas trade that it was inevitable that its trading profits should fall sharply. They were down from £4,090,521 to £3,557,769; but, thanks to a reduction of some £638,000 in the provision for taxation, net profits actually rose slightly, from £1,503,278 to £1,585,025.

Since the end of June, Sir Harry reports, there has been some increase in the volume of export sales; but this has only "approximately compensated for the reductions in unit prices," and the group's trading profits so far in the current financial year are neither better nor worse than they were in 1952-53. The group has begun to reshape its export policy by placing the emphasis on the export of bulk products for local processing over-

	Years to June 30,	
	1952	1953
Consolidated earnings:—		
Trading profit.....	4,090,521	3,557,769
Total income.....	4,223,798	3,652,037
Depreciation.....	501,780	486,402
Taxation.....	2,218,740	1,580,610
Net profit.....	1,503,278	1,585,025
Ordinary dividends.....	125,424	153,297
Ordinary dividends (per cent).....	30	17½
Reserves.....	1,291,708	1,197,480
Added to group carry forward.....	9,321	100,405
Cons. balance sheet:—		
Fixed assets, less depreciation.....	4,313,419	4,856,961
Net current assets.....	4,256,241	5,050,457
Stocks.....	3,970,959	3,378,349
Cash.....	1,780,141	2,679,020
Reserves.....	5,864,771	6,363,456
Ordinary capital.....	796,350	1,592,700

10s. ordinary stock at 46s. 3d. yields £3 10s. per cent.

seas. This reorganisation is probably wise; but it still has to prove itself and it will probably be very expensive. The only wonder left in the wonder drug market is that share prices are still so high.



LONDON STOCK EXCHANGE

Next Account begins December 9th.
Next Contango Day December 9th.
Next Settlement Day December 1st.

AFTER a succession of dull days at the end of the old account, the markets brightened up a little on the first day of the new one. Gilt-edged were still drifting lower at the beginning of this week following another warning from Mr Butler about poor progress in exports; on Monday the selling, though by no means heavy, was sufficient to lead to losses of between ¼ and ½ in the longer-dated stocks. In the next two days prices rallied slightly, but by Wednesday's close old Consols, at 65, and 3½ per cent War Loan, at 85½, were still ¼ and ½ respectively lower than a week before. In the foreign market German Potash bonds came on offer quite freely on the reported details of the debt settlement and on Monday the 7 per cent bonds lost 5½ points to close at 148½; when the new account opened, however, some fresh buying was reported and the 7 per cent bonds rose to 150½. The German and Japanese Government loans moved irregularly at the end of the old account, but turned a little firmer on the first day of the new one.

The heaviest losses in the industrial market were made on Monday, when the *Financial Times* ordinary share index fell by 1.1 points to 128.4. Apart from brewery shares (where recent dividends have been cheering) and colliery issues (which improved on the news of further liquidation distributions), almost all the "blue-chips" were marked down; and at the close United Steel shares were quoted at 3d. discount. This general decline in prices was again apparent on Tuesday (when even brewery shares came under pressure of profit-taking); on Wednesday the tone was firmer but the *Financial Times* index lost another 0.1 of a point to 128.1.

Throughout this period, oil shares remained firm, while rubber and tea shares continued to improve. There was also renewed interest in Kaffirs; the uranium producers, notably Randfontein, were the brightest feature in the whole market.

FINANCIAL TIMES INDICES

1953	Security Indices		Yields	
	Ord.*	Fixed Int.†	2½% Cons.	Ord.
Nov. 18...	130.1	112.32	3.84	5.41
" 19...	130.3	112.48	3.84	5.41
" 20...	129.5	112.49	3.84	5.44
" 23...	128.4	112.48	3.85	5.49
" 24...	128.2	112.46	3.85	5.49
" 25...	128.1	112.49	3.85	5.50
1953, High.	131.5	112.49	Total bargains Nov. 18: 9,465	
" Low.	(Nov. 4) 113.9	(Nov. 20) 105.68	" 19: 8,519	
	(May 20)	(Jan. 5)	" 20: 9,034	
			" 23: 11,120	
1952, High.	121.5	106.66	" 24: 8,999	
" Low.	(Jan. 1) 103.1	(Jan. 9) 100.67	" 25: 8,997	
	(June 24)	(July 3)		

* July 1, 1935=100.

† 1928=100.

LONDON ACTIVE SECURITIES

Prices, 1953 Jan. 1 to Nov. 25		BRITISH FUNDS AND GUARANTEED STOCKS		Price, Nov. 18, 1953	Price, Nov. 25, 1953	Net Yield, Nov. 25, 1953 %	Gross Yield, Nov. 25, 1953 %	Prices, 1953 Jan. 1 to Nov. 25	Last Two Dividends (a) (b) (c)	ORDINARY STOCKS	Price, Nov. 18, 1953	Price, Nov. 25, 1953	Yield, Nov. 25, 1953 %
High	Low							High	Low				
100 1/2	99 3/4	War Bonds 2 1/2% '52-54...	100 1/2	100 3/4	0 18 10	2 3 3	47/6	32/3	12 1/2	15 c	15 c	43/-	42/6*
100 1/2	98 3/4	Exchequer 2 1/2% 1955...	100 1/2	100 3/4	1 6 5	2 3 9	15/1	10/10 1/2	15 c	5 a	13/6	15/-	6 4 0 1/2
102 1/2	99 3/4	Exchequer 3% 1960...	102 1/2	102 3/4	1 12 10	2 14 2	55/4 1/2	45/3	10 b	5 a	53/-*	51/-	5 17 8
100 1/2	99 3/4	Exchequer 3% '62-63...	100 1/2	100 3/4	1 2 7	1 18 11	52/-	44/6	12 1/2	2 1/2	25/3	24/9	5 16 6
99 1/2	98 3/4	Serial Funding 1 1/2% 1954...	99 1/2	99 3/4	1 6 8	2 7 2					51/6	51/6	
99 1/2	98 3/4	Serial Funding 2 1/2% 1957...	99 1/2	99 3/4	0 18 5	2 5 8	34/-	21/4 1/2	7 b	4 a	32/6	30/6	7 4 3
101 1/2	100 3/4	Serial Funding 3% 1955...	101 1/2	101 3/4	1 2 6	2 7 3 1/2	28/9	21/4 1/2	11 c	12	26/6	25/9	6 4 3 1/2
100 1/2	98 3/4	War Bonds 2 1/2% '54-56...	100 1/2	100 3/4	1 6 10	2 11 2 1/2	49/9	41/4 1/2	7 1/2	5 a	45/6	44/6*	5 12 4
100 1/2	99 3/4	Funding 2 1/2% '52-57...	100 1/2	100 3/4	1 5 10	2 14 10 1/2	49/3	37/3	10 b	5 a	47/3	46/-	4 17 10
101 1/2	99 3/4	Nat. Def. 3% '54-58...	101 1/2	101 3/4	1 6 10	2 14 2 1/2	53/9	38/6	10 b	5 a	52/6	51/9	5 16 0 1/2
102 1/2	99 3/4	War Loan 3% '55-59...	102 1/2	102 3/4	1 18 10	3 7 1 1/2	69/6	49/-	4 a	16 b	69/-	68/-	5 17 8
97 1/2	96 3/4	Savings Bonds 3% '55-65...	97 1/2	97 3/4	1 13 9	2 16 11 1/2	44/6	36/6	7 1/2	12 1/2	42/6	42/6	4 14 1 1/2
98 1/2	97 3/4	Funding 2 1/2% '56-61...	98 1/2	98 3/4	2 5 5	3 14 0 1/2	40/10 1/2	33/3	2 a	8 b	40/-	39/-	5 2 7
92 1/2	86 3/4	Funding 3% '59-69...	92 1/2	92 3/4	2 5 1	3 10 4 1/2	61/-	51/-	10 b	5 a	60/-	60/-	5 0 0
95 1/2	87 3/4	Funding 3% '66-68...	95 1/2	95 3/4	1 19 9	3 16 0 1/2	46/-	36/6	3 1/2	7 1/2	40/-	40/-	5 12 6
102 1/2	98 3/4	Funding 4% '60-90...	102 1/2	102 3/4	2 5 9	3 14 10 1/2							
91 1/2	85 3/4	Savings Bonds 3% '60-70...	91 1/2	91 3/4	2 4 10	3 8 10 1/2	19/6	15/6	6 1/2	3 1/2	18/3	17/9	5 11 3
84 1/2	78 3/4	Savings Bonds 2 1/2% '64-67...	84 1/2	84 3/4	2 6 1	3 16 11 1/2	7/7 1/2	5/8 1/2	4 a	6 1/2	6/7 1/2	6/4 1/2	8 4 8
103 1/2	100 3/4	Victory 4% '20-76...	103 1/2	103 3/4	2 6 1	3 15 8 1/2	35/10 1/2	23/6	7 1/2	15 c	35/3	34/9	4 6 4 1/2
89 1/2	82 3/4	Savings Bonds 3% '65-75...	89 1/2	89 3/4	2 6 7	4 5 2 1/2	37/3	25/1 1/2	15 c	6 a	45/3	44/3	5 1 8
95 1/2	86 3/4	Consols 4% aft. Feb. '57...	95 1/2	95 3/4	2 4 9	4 1 7 1/2	47/9	36/6	5 1/2	25 c	87/6	87/6	5 14 3
86 1/2	77 3/4	Conv. 3 1/2% aft. April '61...	86 1/2	86 3/4	2 2 9	3 17 11 1/2	30/9	24/-	25 c	2 a	30/7 1/2	30/-	5 10 8 1/2
65 1/2	57 3/4	Treas. 2 1/2% aft. April '75...	65 1/2	65 3/4	2 3 9	3 18 3 1/2	71/3	58/6	10 b	5 a	67/6*	66/3	4 10 7
76 1/2	67 3/4	Treas. 3% aft. April '66...	76 1/2	76 3/4	2 5 5	3 18 3 1/2	7/3	5/3 1/2	12 c	12 c	5/6*	5/6*	10 18 2
94 1/2	87 3/4	Treas. 3 1/2% '77-80...	94 1/2	94 3/4	2 4 11	3 18 4 1/2							
94 1/2	87 3/4	Treas. 3 1/2% '79-81...	94 1/2	94 3/4	2 3 8	3 14 0 1/2	23/3	19/-	20 c	5 a	22/3	21/9	4 11 11
86 1/2	76 3/4	Redemption 3% '86-96...	86 1/2	86 3/4	2 5 1	4 1 11 1/2	38/9	16/6 1/2	12 1/2	37 1/2	35/6*	34/9	5 15 1 1/2
87 1/2	77 3/4	War L. 3 1/2% aft. Dec. '52...	87 1/2	87 3/4	2 6 11	3 16 2 1/2	103/-	85/7 1/2	17 1/2	5 a	90/-	90/-	5 0 0
65 1/2	58 3/4	Consols 2 1/2%...	65 1/2	65 3/4	2 6 11	3 16 2 1/2	47/9	36/6	35 b	20 a	66/6	65/6*	4 3 11
89 1/2	83 3/4	Br. Elec. 3% '68-73...	89 1/2	89 3/4	2 5 10	3 15 4 1/2	67/9	46/3	55 c	20 a	62/6	61/6	4 8 11
88 1/2	82 3/4	Br. Elec. 3% '74-77...	88 1/2	88 3/4	2 2 10	4 0 9 1/2	63/6	44/3					
103 1/2	99 3/4	Br. Elec. 4 1/2% '74-79...	103 1/2	103 3/4	2 4 10	3 17 8 1/2							
94 1/2	88 3/4	Br. Elec. 3 1/2% '76-79...	94 1/2	94 3/4	2 5 10	3 15 10 1/2	58/7 1/2	40/11 1/2	30 b	5 a	56/3	56/3	5 6 8
86 1/2	76 3/4	Br. Trans. 3% '78-88...	86 1/2	86 3/4	2 6 11	3 16 2 1/2	34/1	29/7 1/2	4 a	12 b	43 1/2	43 1/2	5 17 2
89 1/2	83 3/4	Br. Trans. 3% '68-73...	89 1/2	89 3/4	2 3 6	3 19 2 1/2	73/7 1/2	57/7 1/2	5 1/2	15 1/2	34/-	34/-	5 7 0
101 1/2	95 3/4	Br. Trans. 4% '72-77...	101 1/2	101 3/4	2 3 6	3 13 7 1/2	35/4 1/2	23/-					
86 1/2	76 3/4	Br. Gas 3% '90-95...	86 1/2	86 3/4	2 3 9	3 16 7 1/2							
96 1/2	91 3/4	Br. Gas 3 1/2% '69-71...	96 1/2	96 3/4	2 3 5	3 19 10 1/2							
96 1/2	91 3/4	Br. Gas 4% '69-72...	96 1/2	96 3/4									

(e) To earliest date. (f) Flat yield. (g) To latest date. (h) Net yields are calculated after allowing for tax at 9s. 0d. in £. * Ex dividend. † Assumed average life 12 years approximately.

Prices, 1952 Jan. 1 to Nov. 25		TRUSTEE STOCKS AND FOREIGN BONDS		Price, Nov. 18, 1953	Price, Nov. 25, 1953	Yield, Nov. 25, 1953 %
High	Low					
88 1/2	81 1/2	Aust. 3 1/2% '65-69...	91 1/2	91 3/4	3 18 5 1/2	51/7 1/2
92 1/2	86 3/4	N. Zealand 3 1/2% '62-65...	95 1/2	95 3/4	3 14 0 1/2	51/7 1/2
98 1/2	89 3/4	S. Africa 3 1/2% '54-59...	99 1/2	99 3/4	3 13 9 1/2	51/7 1/2
68 1/2	60 3/4	L.C.C. 3% aft. 1920...	73 1/2	73 3/4	4 2 2 1/2	60/3
91 1/2	84 3/4	Liverpool 3% '54-64...	95 1/2	95 3/4	3 10 0 1/2	58/4 1/2
91 1/2	85 3/4	P.L.A. 3 1/2% '66-71...	93 1/2	93 3/4	4 1 3 1/2	51/6
103 1/2	97 3/4	Agric. Mort. 5% '59-89...	102 1/2	102 3/4	4 12 3 1/2	66/-
68 1/2	61 3/4	Austria 4 1/2% '34-59...	77 1/2	77 3/4	4 7 8 1/2	71/9
13 1/2	5 3/4	Chinese 5% 1913...	13 1/2	13 3/4	Nil	66/4 1/2
68 1/2	43 3/4	German 5%...	70 1/2	70 3/4	...	48/-
85 1/2	45 3/4	German 4 1/2%...	97 1/2	97 3/4	...	58/-
145 1/2	103 3/4	Japan 5% 1907...	137 1/2	137 3/4	...	4/6

Prices, 1953 Jan. 1 to Nov. 25		Last Two Dividends (a) (b) (c)		ORDINARY STOCKS	Price, Nov. 18, 1953	Price, Nov. 25, 1953	Yield, Nov. 25, 1953								
High	Low														
73 1/2	58 1/2	7 a	9 a	BANKS & DISCOUNT	72/-*	71/6	4 9 6	41/3	14 1/2	12 1/2	5 a	United States Btong £1	38/1 1/2	40/7 1/2	8 12 4
60 1/2	46 3/4	6 b	6 a	Barclays "B" £1.....	58/-	57/-	4 4 3	45/3 1/2	5 1/2	40 b	20 a	Anglo-Amec. 10/-	5 1/2	5 1/2	5 10 4
80 1/2	64 3/4	8 b	8 a	Lloyds "A" £5, £1 pd.	79/6	79/-	4 1 0	37/-	60 a	53 1/2 b	60 a	Blyvoor 2/6.....	38/-	37/6	7 11 1
76 1/2	59 3/4	8 1/2 b	8 1/2 a	Midland £1, fully pd.	75/-	75/-	4 10 8	64/4 1/2	60 b	60 b	60 b	Daggafontein 5/-.....	73/9	75/7 1/2	7 19 10
87 1/2	70 3/4	9 b	9 a	N. Prov. "B" £5, £1 pd.	87/6	87/6	4 2 3	75/-	120 b	80 b	80 b	De Beers 5/- Bearer.....	65/-	66/6	15 0 9
91 3/4	67 3/4	10 b	7 1/2 a	Westminster £4, £1 pd.	89/-	89/-	3 18 8	44 1/2	174 c	17 1/2 c	17 1/2 c	Johannesburg Con. £1.....	46/6	49/4 1/2	7 1 9
55 1/2	41 3/4	5 b	5 a	Alexanders £2, £1 pd.	54/-	54/-	3 14 1	20 1/2	15 a	175 b	175 b	Rhokua £1.....	18 1/2	18/1	12 0 0
49 1/2	39 3/4	5 1/2 b	5 1/2 a	Nat. Disc. "B" £1.....	45/6	45/6	4 7 11								
40 1/2	32 3/4	4 a	4 a	Union Disc. £1.....	39/6	39/6	4 1 0								
49 1/2	39 3/4	9 b	7 1/2 a	Barcl. (D.C. & O.) "A" £1	43/6	43/6	6 8 8								

80/-	64/-	8 b	8 a	Midland £1 fully pd.	79/6	79/-	4 1 0
76/-	59/3	8 1/2 b	8 1/2 a	N. Prov. "B" £5, £1 pd.	75/-	75/-	4 10 8
87/6	70/-	9 b	9 a	Westminster £4, £1 pd.	87/6	87/6	4 2 3
91/3	67/6	10 b	7 1/2 a	Alexanders £2, £1 pd.	89/-	89/-	3 18 8
55/-	41/4 1/2	5 b	5 a	Nat. Disc. "B" £1....	54/-	54/-	3 14 1
49/9	39/-	5 b	5 a	Union Disc. £1....	45/6	45/6	4 7 11
40/-	32/3	4 a	4 b	Barc. (D.C. & O.) "A" £1	39/6	39/6	4 1 0
49/-	39/3	9 b	7 a	Chart. Bk. of India £1	43/6	43/6	6 8 8g
INSURANCE							
9 1/2	7 1/2	85 b	50 a	Leg. & Gen. £1 5/- pd.	9 1/2	9 1/2	3 10 1
22 1/2	17 1/2	40 b	20 1/2 a	Pearl £1, fully pd.	22	22	4 19 2
39 1/2	32 1/2	100 c	105 1/2 a	Prudential "A" £1....	38	38	5 0 6
BREWERIES, ETC.							
131/6	114/9	33 b	10 a	Bass £1....	127/6	127/6	6 14 11
18 1/4	15/9 1/2	7 1/2 a	15 b	Distillers 4/-...	18/-	18/3	4 18 8
32/3	27/-	10 b	7 a	Guinness 10/-...	31/-	32/-	5 6 3
10 1/2	8 1/2	4 a	8 b	Ind. Coope 5/-...	9/-	9/-*	6 13 4

* Ex dividend.

New York Closing Prices

	Nov. 18	Nov. 25		Nov. 18	Nov. 25		Nov. 18	Nov. 25
	\$	\$		\$	\$		\$	\$
Balt. & Ohio.	21 1/2	21	Am. Smelting.	28 1/2	27 1/2	Inter. Paper..	52 1/2	52 1/2
Can. Pac.	22 1/2	22 1/2	Am. Visroce ..	35	37 1/2	Nat. Distill. ..	17 1/2	18 1/2
N.Y. Cent.	19 1/2	19 1/2	Cel. of Amer. ..	20	20 1/2	Sears Roebuck	59 1/2	59 1/2
Pennsyl.	18 1/2	17 1/2	Chrysler	63	61 1/2	Shell	72	74
Amer. Tel.	155 1/2	157 1/2	Gen. Elec.	80	86 1/2	Std. Oil of N.J.	71 1/2	71 1/2
Stand. Gas.	12 1/2	12	Gen. Motor. ...	57 1/2	59 1/2	U.S. Steel	37 1/2	37 1/2
United Corp. ...	5 1/2	5	Goodyear	50	50 1/2	Westinghouse.	47 1/2	49 1/2
W. Union Tel.	41 1/2	41 1/2	Int. Nickel ...	37 1/2	36 1/2	Woolworth...	43 1/2	43 1/2

* Ex dividend.

† Free of tax. Yield calculated on gross basis. (a) Interim dividend. (b) Final dividend. (c) Whole year's dividend. (d) Yield at 75 1/4% of face value. (e) To earliest date. (f) Flat yield. (g) Includes 2% centenary bonus; yield basis 14%. (h) Also 2% tax free cash bonus; yield basis 18.6%. (i) 12% paid for 9 months; yield basis 16%. (j) Also 5% Coronation bonus, not included in yield. (k) To latest date. (l) Yield basis 10% after capital bonus. (m) Yield basis 11 1/2% after capital bonus. (n) Yield basis 8 1/2% after capital bonus. (o) Also 5% net capital distribution, not included in yield. (p) Yield basis 20%. (q) Yield basis 15% after capital bonus. (r) Yield basis 12 1/2% after capital bonus. (s) Yield basis 12 1/2% after capital bonus. (t) Yield basis 19.7% gross. (u) Yield basis 30%. (v) Yield basis 7 1/2%. (w) Also 2 1/2% tax free out of capital profit. Yield basis 50%.

Statistics

The following list shows the most recent date on which each statistical page appeared.

BRITISH	Nov. 7th	Nov. 14th	Nov. 21st	Nov. 28th
Prices and Wages.....	Nov. 7th	Nov. 14th	Nov. 21st	Nov. 28th
Production and Consumption	Nov. 7th	Nov. 14th	Nov. 21st	Nov. 28th
Manpower.....	Nov. 7th	Nov. 14th	Nov. 21st	Nov. 28th
External Trade.....	Nov. 7th	Nov. 14th	Nov. 21st	Nov. 28th
Financial Statistics.....	Nov. 7th	Nov. 14th	Nov. 21st	Nov. 28th
Industrial Profits.....	Nov. 7th	Nov. 14th	Nov. 21st	Nov. 28th
World Trade.....	Nov. 7th	Nov. 14th	Nov. 21st	Nov. 28th

UK External Trade

Imports are valued c.i.f.; exports f.o.b. Total trade unless otherwise stated.

	Unit	Monthly averages			1952			1953			
		1950	1951	1952	Aug.	Sept.	Oct.	July	Aug.	Sept.	Oct.
VALUE											
Imports :											
Total	£ million	217.4	325.3	290.1	261.7	238.6	266.6	293.0	249.3	269.4	279.8
Food, drink and tobacco	"	85.8	107.8	101.2	92.2	78.8	83.2	119.1	95.0	117.9	112.2
Raw materials	"	82.9	142.5	116.6	100.8	96.1	108.5	112.4	97.0	94.0	102.5
Exports of UK produce :											
Total	"	180.9	215.0	215.1	182.9	188.5	221.9	234.4	198.2	202.2	227.6
Manufactures—total	"	156.9	189.4	186.1	157.4	161.2	187.5	203.3	171.5	172.7	193.8
" metals and engineering	"										
products	"	89.3	99.9	110.0	92.8	95.8	112.3	119.9	97.0	97.0	109.4
" textiles and clothing	"	34.7	44.9	31.8	26.1	26.7	31.5	35.0	31.7	31.6	35.0
" other	"	32.9	44.6	44.3	38.5	38.7	43.7	48.4	42.8	44.1	49.4
Re-exports	"	7.1	10.6	12.0	8.9	8.4	12.1	8.6	8.8	8.0	9.3
Balance of trade (exports less imports) ..	"	-29.4	-99.7	-63.0	-71.4	-41.7	-32.6	-50.0	-42.3	-59.2	-42.9
VOLUME											
Imports	1950=100	100.0	112.5	103.0	94.2 ¹	...	...	116	99	120	...
Exports	"	100.0	101.2	95.0	81	83	99	108	91	92	...
BY AREA											
Imports :											
Dollar area—total	£ million	40.0	64.5	60.1	51.7	39.8	52.6	60.2	48.1	56.0	...
" USA	"	17.6	31.7	26.3	18.7	15.9	25.7	16.3	16.0	20.2	...
" Canada	"	15.0	21.7	26.6	26.8	20.0	21.4	34.6	24.6	26.5	...
Non-sterling OEEC countries	"	54.6	84.0	71.4	59.0	62.9	67.8	67.1	58.7	64.1	...
Sterling area	"	82.6	116.5	119.8	120.0	109.0	119.0	125.3	107.4	112.5	...
Exports :											
Dollar area—total	"	24.9	28.9	31.4	27.1	29.0	39.6	36.8	33.8	31.2	...
" USA	"	10.6	12.8	15.1	11.6	13.7	17.5	16.3	13.9	14.6	...
" Canada	"	10.7	11.7	11.0	11.3	11.2	14.8	15.1	12.1	12.0	...
Non-sterling OEEC countries	"	49.2	56.0	58.3	51.0	57.9	63.4	65.2	55.6	61.0	...
Sterling area	"	87.4	110.8	107.0	85.5	83.6	101.9	116.1	96.5	98.0	...
Balance of trade (exports less imports) :											
Dollar area	"	-15.2	-35.6	-28.7	-24.6	-10.8	-13.0	-23.4	-14.3	-24.8	...
Non-sterling OEEC countries	"	-5.4	-28.0	-13.1	-8.0	-5.0	-4.4	-1.9	-3.1	-3.1	...
Sterling area	"	+ 4.8	-5.7	-12.8	-34.5	-25.4	-17.1	-9.2	-10.9	-14.5	...
TRADE IN SELECTED COMMODITIES											
Imports :											
Wheat	'000 tons	272.2	337.7	325.5	372.4	221.5	173.6	467.4	334.2	330.4	345.0
Meat	"	67.5	39.9	45.5	49.1	44.5	52.3	72.2	52.4	59.7	57.5
Sugar, unrefined	"	174.3	186.8	166.3	149.1	84.8	150.2	335.2	185.9	347.7	285.3
Raw cotton (*)	"	37.4	37.5	21.8	11.3	15.1	23.8	27.5	21.5	25.3	31.4
Raw wool, sheep's and lambs' (*)	mn. lb.	49.0	36.0	52.0	51.6	19.3	36.8	50.4	35.2	24.0	34.1
Rubber, natural and synthetic (*)	'000 sq. tons	18.7	25.1	16.7	23.8	26.5	22.1	24.2	15.9	18.8	21.2
Softwood	'000 stds.	65.9	135.6	85.2	81.2	95.6	107.9	187.5	143.6	118.9	104.5
Woodpulp	'000 tons	119.3	139.3	119.9	52.9	86.1	99.9	143.6	143.1	137.8	171.6
Crude petroleum	mn. galls.	197	359	483	508	507	627	600	544	575	613
Exports of UK produce :											
Coal, including bunkers	'000 tons	1,464	961	1,254	1,316	1,368	1,485	1,405	1,099	1,417	1,627
Woven piece-goods—cotton	mn. sq. yds	69	72	89	42	50	61	67	56	59	58
" " wool	'000 sq. yds.	10,611	9,894	8,190	8,935	8,035	9,525	9,602	9,357	7,978	9,765
Passenger cars and chassis	number	33,177	30,717	25,819	16,935	22,716	21,947	32,301	21,239	23,722	25,706
Commercial vehicles and chassis	"	12,035	11,425	10,706	8,031	9,303	9,134	11,396	7,750	8,655	11,150
Agricultural tractors	"	6,997	9,388	8,745	7,085	8,818	7,924	6,995	6,877	7,936	8,836
Machinery—electrical	£'000	3,821	4,022	4,799	4,741	4,378	4,704	5,386	4,597	4,122	4,633
" other	"	22,715	26,245	30,346	26,762	25,694	30,182	31,009	24,623	25,118	28,311
Chemicals	"	4,991	6,533	6,774	6,364	6,579	6,200	6,744	5,411	5,880	5,936

US Statistics

Monthly averages or calendar months except where annual rates are shown.

PRICES AND WAGES

	Wholesale prices		Consumer prices				External prices			Stock prices	Average weekly earnings in manufacturing	
	All commodities	Farm products	All items	Food	Clothing	Housing	Import	Export	Terms of trade	Composite index	At current prices	At 1952 prices
	1947-49=100						1948=100			1939=100	\$	
1939	50.1	36.5	59.4	47.1	52.5	...	42	48	88	100.0	23.86	45.62
1951	114.8	113.4	111.0	112.6	106.9	112.4	130	103	126	184.9	64.71	66.17
1952	111.6	107.0	113.5	114.6	105.8	114.6	123	102	121	195.0	67.97	67.97
1953												
May	109.8	97.8	114.0	112.1	104.7	117.1	117	102	115	194.1	71.63	71.34
June	109.5	95.4	114.5	113.7	104.6	117.4	117	100	117	187.3	71.63	70.99
July	110.9	97.9	114.7	113.8	104.4	117.8	117	101	116	190.4	71.51	70.73
August	110.6	96.4	115.0	114.1	104.3	118.0	...	...	...	190.2	70.77	70.77
September	111.0	98.1	115.2	113.8	105.3	118.4	...	...	...	181.0	71.02	69.97

PRODUCTION AND MANPOWER

	Gross national product Seasonally adjusted annual rates	Total industrial production	Manufacturing production						Building New construction, seasonally adjusted	Civilian employment			
			Durable goods			Non-durable goods				Total labour force	Total employment	Unemployed as % of labour force	
			Total	Iron and steel	Auto-mobiles	Total	Textiles	Chemicals					
			\$ billion	Index 1935-39=100; seasonally adjusted						\$ million	thousands	% rate	
1939	91.3	109	109	114	94	109	112	112	683	55,230	45,750	17.2	
1951	329.8	220	273	259	237	194	174	299	2,575	62,884	61,005	3.0	
1952	348.0	219	280	243	230	189	161	302	2,720	62,966	61,293	2.7	
1953													
June	372.4	{	240	320	288	297	199	174	325	2,923	64,734	63,172	2.4
July	369.0		232	310	279	290	191	157	325	2,854	64,668	63,120	2.4
August			235	309	277	277	198	166	325	2,825	64,648	63,408	1.9
September			232	303	266	...	195	161	322	2,828	63,552	62,306	2.0
October		...	232	307	...	...	194	...	...	2,856	63,404	62,242	1.8

TRADE

	Personal consumption Annual rates	All business		Total retail		Imports for US consumption			Exports of US merchandise		Volume of trade	
		Sales	Stocks*	Sales	Stocks*	Total	Crude materials	Semi-manufactures	Total	Finished goods	Imports	Exports
		\$ billion; seasonally adjusted				\$ million				1936-38=100		
1939	67.5	10.80	20.05	3.50	5.53	190	62	41	260	139	94	113
1951	208.1	44.45	74.06	13.19	20.75	901	280	205	1,240	708	144	247
1952	218.1	45.57	74.76	13.67	20.80	895	245	214	1,252	777	151	250
1953												
May	230.4	49.41	76.84	14.47	21.54	891	219	239	1,438	1,051	158	290
June	230.4	49.25	77.51	14.41	21.57	926	228	260	1,369	1,007	164	279
July	231.0	49.61	78.31	14.47	22.09	893	216	232	1,341	990	...	...
August	231.0	48.20	78.75	14.07	22.12	836	...	...	1,173	...	...	...
September	231.0	47.55	79.33	14.04	22.26	...	...	...	...	...	...	...

PURCHASING POWER AND FINANCE

	Personal income			Consumer credit		Banking statistics*		Budget expenditure†		Bond yields		
	Total	Labour income	Farm income	Total	Instalment	Investments	Loans	Total	Surplus or deficit	3-month Treasury bills	Taxable Govt. bonds	Corporate Aaa bonds
	\$ billion; seasonally adjusted annual rates			\$ billion; end of period		\$ billion; end of period		\$ billion		Per cent per annum		
1939	72.6	45.7	4.5	7.22	4.50	23.4	17.2	9.0	3.9	0.023	...	3.01
1951	254.3	170.7	15.5	21.47	14.84	74.9	57.7	44.6	3.5	1.552	2.57	2.86
1952	269.7	184.9	14.8	25.71	18.64	77.5	64.2	66.1	4.0	1.766	2.68	2.96
1953												
June	286.3	200.7	12.6	27.05	20.49	72.9	65.0	8.0	1.8	2.231	3.09	3.40
July	287.5	202.4	11.9	27.22	20.85	77.6	65.6	6.1	2.8	2.101	2.99	3.28
August	287.0	202.2	11.4	27.43	21.06	77.1	66.0	6.0	1.5	2.088	3.00	3.24
September	285.8	200.8	11.4	27.59	21.17	76.7	66.3	6.1	0.1	1.876	2.97	3.29
October	...	...	...	...	...	...	...	5.5	2.8	1.402	2.83	3.16

(1) Second quarter.

(2) End of period.

(3) All commercial banks.

(4) Annual figures are totals for the fiscal year ended June 30th.

EXCHEQUER RETURNS

For the week ended November 21st there was an "above-line" deficit (after allowing for Sinking Funds) of £34,254,000 compared with a deficit of £17,269,000 in the previous week and a deficit of £34,583,000 in the corresponding period last year, bringing the cumulative deficit to £356,600,000 (£365,177,000 in 1952-53). There was a net "below-line" receipt of £2,597,000 which brought the total cumulative deficit to £630,197,000 (£722,030,000 in 1952-53).

£'000	Estimate, 1953-54	April 1, 1952 to Nov. 22, 1952	April 1, 1953 to Nov. 21, 1953	Week ended Nov. 22, 1952	Week ended Nov. 21, 1953
Ord. Revenue					
Income Tax	1782,250	570,473	547,292	9,753	9,973
Sur-tax	127,000	42,300	41,200	1,200	1,300
Death Duties	160,000	95,100	103,700	3,300	3,200
Stamps	52,000	31,450	34,500	500	700
Traits Tax & L.P.T.	214,000	264,900	132,400	7,800	3,100
Excess Profits Levy	99,500	...	43,450	...	1,000
Special Contribution and other Inland Revenue	1,000	1,110	620	50	50
Total Inland Rev.	2435,750	1005,333	903,162	22,693	19,323
Customs	1044,300	674,052	689,243	21,211	20,844
Excise	680,480	485,493	482,973	11,510	13,300
Total Customs and Excise	1724,780	1160,545	1172,216	32,721	34,144
Motor Duties	69,000	15,440	17,605	...	2,600
PO (net receipts)	2,645	6,550	7,500	...	...
Broadcast Licences	16,000	6,650	7,550	...	...
Sundry Loans	25,000	13,378	19,880	...	...
Disbursements	95,000	75,164	85,379	1,093	871
Total	4368,215	2282,509	2211,492	56,417	56,939
Ord. Expenditure					
Debt Interest	615,000	369,693	374,567	5,349	3,089
Payments to N.I.	48,000	23,468	28,296	...	...
Ireland Exchequer	10,000	5,587	5,502	...	134
Other Cons. Fund	3586,285	2327,687	2138,291	84,860	87,680
Supply Services	...	...	...	...	...
Total	4259,286	2626,436	2546,656	90,220	90,903
Sinking Funds	...	21,250	21,436	780	290

"Above-line" Surplus or Deficit	-365,177	-356,600	-34583	-34254
"Below-line" Net Expenditure	356,853	273,597	13,613	Cr2597
Total Surplus or Deficit	-722,030	-630,197	-48196	-31657
Net Receipts from:				
Tax Reserve Certificates	96,078	181,202	850	1,476
Savings Certificates	600	10,850	1,200	400
Defence Bonds	38,207	32,853	529	181

FLOATING DEBT

(£ million)					
Date	Treasury Bills		Ways and Means Advances		Total Floating Debt
	Tender	Tap	Public Depts.	Bank of England	
1952					
Nov. 22.....		4,481.1*	266.0	...	4,747.1
1953					
Aug. 22.....	3,330.0	1,422.7	241.8	...	4,994.5
29.....	3,350.0	1,407.6	229.3	...	4,987.0
1953					
Sept. 5.....	3,370.0	1,414.0	219.2	...	5,003.2
12.....	3,400.0	1,395.8	251.7	...	5,047.5
19.....	3,430.0	1,382.1	280.0	...	5,092.2
30.....		4,803.1	273.4	...	5,076.5
1953					
Oct. 10.....		4,525.8*	245.9	...	4,771.7
17.....		4,552.2*	262.2	...	4,814.3
24.....		4,550.4*	264.1	...	4,814.5
31.....		4,538.1*	254.9	1.3	4,794.3
1953					
Nov. 7.....		4,535.2*	250.0	...	4,785.2
14.....		4,591.7*	253.9	...	4,845.5
21.....		4,604.2	268.8	...	4,873.0

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

Financial Statistics

THE MONEY MARKET

THERE was never any marked stringency in Lombard Street in the week to Wednesday last, and at times credit was decidedly easy. In patchy conditions on Thursday of last week there was a small net shortage of funds, which was relieved by moderate special purchases from the banks; but in equally patchy conditions on Friday there was a small net surplus, which was absorbed by reverse selling of bills by the authorities to the market. On Saturday and Monday funds were just adequate; but on the next two days the market was flush with maturities and the authorities indulged in reverse selling operations on a considerable scale.

Despite consistently low allotments at recent tenders, the market maintained its bid at £99 9s. 6d. for the unchanged offer of £230 million at last week's Treasury bill tender; as total applications rose slightly to £374.5 million, the market's allotment fell again, from 46 to 43 per cent. The market's portfolio of bills is now clearly at a quite unusually low level. The offer at yesterday's tender was increased by £10 million to £240 million.

The Bank return shows an outflow of £4.4 million of notes; a rise of £6.4 million in Government securities held in the banking department was roughly offset by a fall in "other" securities, and a release of £4.2 million from public accounts allowed bankers' deposits to remain almost unchanged at £288.8 million despite the note efflux.

LONDON MONEY RATES

Bank rate (from 4% 17/9/53)	%	Discount rates	%
Bank bills 60 days	2 1/2	Bank bills 60 days	2 1/2
Bank bills 3 months	2 1/2	Bank bills 3 months	2 1/2
Bank bills 6 months	2 1/2	Bank bills 6 months	2 1/2
Deposit rates (max)	1 1/2	Deposit rates (max)	1 1/2
Discount houses	1 1/2	Discount houses	1 1/2
Money—Day-to-day	1 1/2-2 1/2	Money—Day-to-day	1 1/2-2 1/2
Short periods	1 1/2-2 1/2	Short periods	1 1/2-2 1/2
Treas. bills 2 months	2 1/2	Treas. bills 2 months	2 1/2
Treas. bills 3 months	2 1/2	Treas. bills 3 months	2 1/2

BANK OF ENGLAND RETURNS

	1952		1953	
	Nov. 26	Nov. 18	Nov. 25	
Issue Department*				
Notes in circulation	1,461.4	1,545.5	1,549.9	
Notes in banking dept.	29.8	29.8	25.4	
Govt. debt and securities	1,456.8	1,571.7	1,571.7	
Other securities	0.7	0.8	0.8	
Gold coin and bullion	2.9	2.9	2.9	
Banking Department				
Deposits:				
Public accounts	15.4	14.6	10.3	
Treasury special account	26.6	11.5	11.5	
Bankers	275.4	288.8	288.8	
Others	72.6	70.3	65.9	
Total	390.0	385.2	346.5	
Securities:				
Government	341.8	341.5	347.9	
Discounts and advances	9.9	10.1	7.6	
Other	15.8	19.2	15.0	
Total	367.5	370.8	370.5	
Banking department reserve	40.5	32.3	27.9	
"Proportion"	10.3	8.3	7.3	

* Government debt is £1,015,100, capital £14,553,000. Fiduciary issue reduced from £1,625 million to £1,575 million on August 26 1953.

TREASURY BILLS

||
||
||

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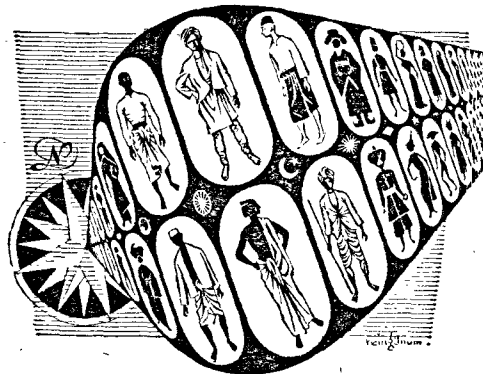
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Burma	India	Pakistan	Singapore Colony
Ceylon	Indonesia	Philippine Republic	
China	Japan	Sarawak	Viet Nam

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Bankers in South Africa to the United Kingdom Government. Bankers to the Federal Government of Rhodesia and Nyasaland, and to the Governments of Southern Rhodesia, Northern Rhodesia, Nyasaland and Tanganyika.

Capital Authorised	- - - -	£15,000,000
Capital Subscribed	- - - -	£12,000,000
Capital Paid-up	- - - -	£7,000,000
Reserve Fund	- - - -	£7,000,000

10 CLEMENTS LANE, LOMBARD STREET and
77 KING WILLIAM STREET, LONDON, E.C.4

LONDON WALL Branch—63 London Wall, E.C.2.
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NEW YORK Agency—67 Wall Street.
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The following SUMMARISED BALANCE SHEET is for
the year ended September 30th, 1953.

LIABILITIES		ASSETS	
Due to	£		£
Shareholders	62,689,997	First Mortgages	61,964,111
Depositors	6,729,405	Trustee Securities	11,110,082
Provision for		Sundry Debtors	7,055
Income Tax and	793,273	Office Premises	270,094
Contingencies	52,964	Cash in Hand	1,298,476
Sundry Creditors	4,384,179		
Reserve Fund	4,384,179		
	<u>£74,649,818</u>		<u>£74,649,818</u>

RESERVES represent 7.07% of the Mortgage Loans Outstanding

INVESTMENTS

accepted up to a maximum of £5,000
INTEREST ON
SUBSCRIPTION SHARES (Regular Saving) ... 3%
PAID-UP SHARE ACCOUNTS ... 2 1/2%
DEPOSIT ACCOUNTS ... 2%
Income Tax paid by Society on all interest to investors

LEEDS PERMANENT

Building Society

HEAD OFFICE:

PERMANENT HOUSE, THE HEADROW, LEEDS, 1

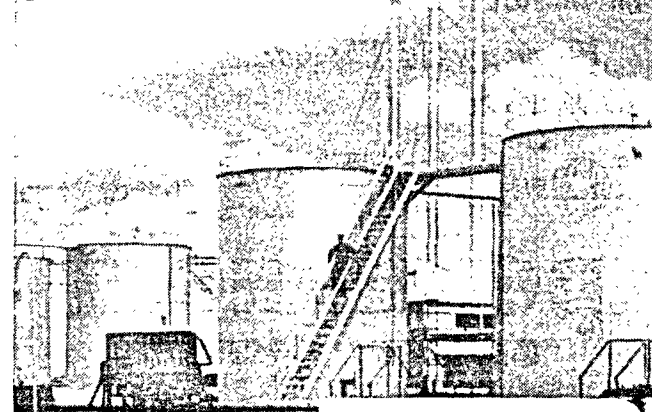
Telephone: 29132

General Manager: Sir Charles Davies, J.P.

London Office: 14, WATERLOO PLACE, S.W.1.

Telephone: Whitehall 2942

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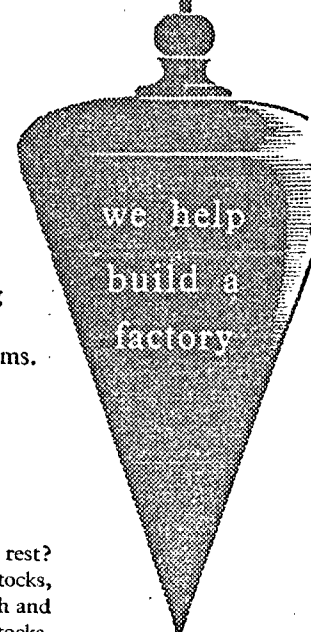
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economic stability,
furthering your
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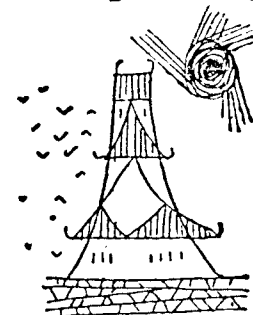
London Representative Office: 82, King William Street,
London, E.C.4.

Cable Address: "CHYODABANK"

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& President: TADAO WATANABE
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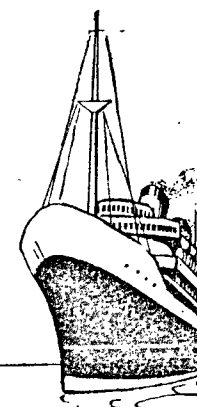
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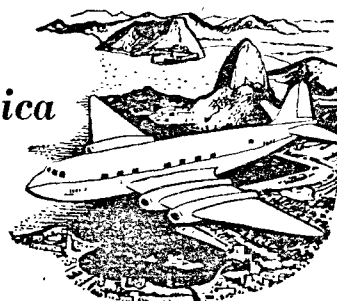
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43, Spring Gardens, Manchester, 2. 28-30, Park Row, Leeds, 1.
24, Grey Street, Newcastle upon Tyne, 1. 9, Highgate, Kendal.
TOTAL ASSETS (as at 30th June, 1953) £347,975,315.

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RHODESIAN ANGLO AMERICAN LIMITED

ABRIDGED REPORT OF THE DIRECTORS FOR THE YEAR ENDED
30th JUNE, 1953

FINANCE AND ACCOUNTS.

Capital and Capital Reserve.—The issued capital was increased to £6,425,000 by the issue of £488,391 Stock of which £100,158 was issued for cash to Anglo American Corporation of South Africa Limited at 53/6d. per 10/- unit and £388,233 was issued to that Corporation (and associates) and to Powell Duffryn Limited in exchange for shareholdings. These issues were made at a total premium of £1,929,000 which has been added to Share Premium Account.

Profits.—The Profit for the year to 30th June, 1953, after charging all expenses, was £436,608. Taxation payable (including £370,000 for Profits Tax relating to an earlier period—see below), was estimated at £433,219. Profits unappropriated at 1st July, 1952, were £3,913,449. Making a total available of £4,349,704.

An Interim Dividend of 1/6d. paid on 14th May, 1953, amounted to £945,000. The Directors recommend the payment of a Final Dividend of 4/9d. absorbing £3,051,875. Leaving £293,829.

It should be noted that this year's dividends are payable on an increased capital and that a full year's return was not received on the investments acquired during the year. The amount distributable has also been affected by the exceptional debit for Profits Tax.

Profits Tax.—The Profit and Loss Account has been charged with a provision of £370,000 in respect of United Kingdom Profits Tax for the six months to 31st December, 1950. This liability arises from a series of technical complications which could scarcely have been foreseen, affecting certain income which was, until the receipt recently of a claim by the United Kingdom Revenue Authorities, regarded as exempt from Profits Tax. After very careful consideration it has been decided that no useful purpose would be served by attempting to oppose the claim, which is considered legally well-founded although inequitable in its results.

INVESTMENTS IN SUBSIDIARY COMPANIES. RHOKANA CORPORATION LIMITED.

Capital.—The Company's holding in Rhokana Corporation Limited comprises £1,285,123 Ordinary Stock and £24,777 "A" Stock, representing 52.396% of the total Ordinary and "A" Stock in issue.

The Net Profit for the year after taxation, was £8,391,027 (against £7,490,922, excluding an exceptional profit of £490,000 for the preceding year).

Copper Production.—Total saleable output of Blister and Electrolytic Copper was 74,216 long tons compared with 82,764 long tons in the previous year. Production in all departments was restricted by poor coal deliveries and was twice interrupted by strikes.

Cobalt Production.—Production from the Electrolytic Cobalt Refinery began in August, 1952, but was restricted for most of the year by operating difficulties. These have been largely overcome during recent months and the total production of Cobalt metal for the year was 259 short tons. It is anticipated that further plant modifications now in hand and improved operating technique will give a steady and increased output of Cobalt metal; 1,259 short tons of Cobalt alloy, containing 472 short tons of Cobalt, were produced as against 1,098 short tons of alloy, containing 645 short tons of Cobalt, during the preceding year.

BANCROFT MINES LIMITED.

Since the year end, The British South Africa Company has subscribed for 3,000,000 Bancroft shares and a further 9,500,000 have been subscribed by Rhokana direct. The remaining 2,500,000 shares in Bancroft Mines were offered to Rhokana's stockholders in the proportion of 3 Bancroft shares to every £1 unit of Rhokana stock; and Rhodesian Anglo American Limited thus became entitled to 3,929,700 shares and offered the greater part of these to its stockholders in the ratio of 3 Bancroft shares to ten 10/- units of Rhokana stock. All these shares have now been issued at 6/- per share inclusive of 1/- premium.

Bancroft Mines Limited is now scheduled to come into production early in 1957.

NCHANGA CONSOLIDATED COPPER MINES LIMITED.

Capital.—The Company's holding remains at £1,490,581 Stock, representing 21.294 per cent. of the Stock in issue. The Company's interest directly and indirectly (through Rhokana) in the Nchanga capital is virtually unaltered at 38.922 per cent.

The Net Profit for the year, after taxation, was £8,748,525 (against £5,505,600, excluding an exceptional profit of £750,000 for the preceding year).

Copper Production.—Production of Blister and Electrolytic Copper for the year ended 31st March, 1953, was 93,317 long tons, compared with 68,816 long tons in the previous year.

RHODESIA COPPER REFINERIES LIMITED.

Rhodesian Anglo American Limited has no direct holding in the Company, though it controls it indirectly through Rhokana and Nchanga.

The Net Profit, after taxation, was £31,324 (against £26,578 for the preceding year).

Production.—The production of Electrolytic Copper was 111,576 tons, compared with 102,269 long tons for the previous year.

OTHER INVESTMENTS.

LUBIMBI COAL AREAS LIMITED.—200,000 shares of 5s. each were acquired during the year from Anglo American Corporation of South Africa Limited, and an additional 260,000 shares were subscribed for in cash. The Company was formed in Southern Rhodesia in 1950 to prospect for coal in that territory.

MUFULIRA COPPER MINES LIMITED.—The Company's direct interest was increased by the acquisition of 40,350 shares and now stands at 94,242 £1 shares.

RHODESIAN ALLOYS LIMITED.—The Company's direct interest was increased by the acquisition of 40,350 shares and now stands at 94,242 £1 shares. In Rhodesian Alloys, Limited, a Southern Rhodesian company, the well-known John Brown & Company, Limited, the well-known Rhodesian Alloys has established at Gwelo a plant for the production of aluminium alloys. The Company has also advanced to Rhodesian Alloys.

TANGANYIKA CONCESSIONS LIMITED.—220,000 10s. stock units were acquired during the year.

THE RHODESIA BROKEN HILL DEVELOPMENT COMPANY LIMITED.—The Company's holding was increased from £228,171 to £353,176 stock.

WANKIE COLLIERY COMPANY LIMITED.—Towards the end of the Company's financial year arrangements were made for the acquisition from Powell Duffryn of 800,000 10s. shares of the Wankie Colliery Company in exchange for £125,000 Rhodesian Anglo American stock.

REINCORPORATION.

In terms of the Rhokana Group Act, which received Royal Assent on 6th May, 1953, the Company, in common with the other companies of the Rhokana Group, will, as from a date in 1954, not yet selected, cease to be incorporated in the United Kingdom, and the provisions of the Companies Ordinance of Northern Rhodesia, thus finalising the process of removal from the United Kingdom. Thereupon the Principal Register of Members will be maintained in Northern Rhodesia, but Branch Registers established in London and Johannesburg will maintain unchanged the existing facilities for dealing in the Companies' stocks.

COPIES OF THE ANNUAL REPORT AND ACCOUNTS MAY BE OBTAINED FROM THE HEAD OFFICE KITWE, OR FROM THE TRANSFER OFFICE AT 44 MAIN STREET, JOHANNESBURG, AND 11 OLD JEWRY, LONDON, E.C.2.

COMPANY MEETINGS

MITCHELLS & BUTLERS, LIMITED

BOTTLED BEER SALES FURTHER INCREASED

NEFITS FROM POSTWAR PLANNING AND RECONSTRUCTION

The sixty-sixth annual general meeting of the Ordinary Stockholders of Mitchell's & Butlers, Limited, will be held at the White Horse Hotel, Birmingham, on Thursday, December 17, 1953. The following is an extract from the circulated statement of the chairman, Mr Robert H. Butler.

I feel that stockholders should be very satisfied with the results that have been obtained. The increased trading profit of the Group for the year is attributable to two main reasons; reduced cost of materials consumed during the period, and in no small degree to economies which are largely the result of our efforts at Reconstruction, to which I refer later.

The amount brought in as taxation no longer required is, of course, due to the decrease in the standard rate of income tax from 9s. 6d. to 9s. in the £, a very welcome instalment of the heavy burden of taxation which all industry, and in particular the brewing industry, is called upon to bear. These factors together have enabled your Board to recommend placing to reserve £200,000, the same as last year, which is vitally necessary to meet the ever-increasing cost of replacing the fixed assets of the Group, and to create a Repairs Equalisation Reserve.

There has recently been much space devoted in the press to the comparison between present-day and prewar costs of repairs to properties. It has been stated authoritatively that these repairs are now costing in the region of three times that of prewar days. This applies with particular force to your company as we have a large number of properties which it has become increasingly difficult to maintain in the condition to which we were accustomed before the war. In view of this your Board has decided that it is only prudent to create a Reserve for the purpose of equalising the charge in the Accounts under this heading and place to it £100,000 as recommended in the Directors Report.

The improvement in our cash position is to some extent the result of a careful review of our stocks at breweries and managed houses.

Our bottled beers have shown a still further increase, Export Pale Ale and Nourishing Stout leading the way, while draught beer has fallen slightly, resulting in a small decrease in total output during the year. It is a notable fact, however, that our draught beer sales in South Wales have increased appreciably over the previous year. This in the further proof of our position in a free market.

This year shows an increase over last year, the principal increase being that of Scotch Whisky.

TRADING CONDITIONS

From the Company's point of view the trading conditions in the financial year which has just closed were more competitive than in any year since the war. Apart from the increase of consumer goods on the market, the withdrawal of a number of Government controls and restrictions, together with the reduction or removal of a number of Government subsidies, tended to make the public more selective in their spending. In consequence, competition for their custom, be-

tween all trades, showed a marked increase.

In addition Television, which is, of course, a counter attraction to the licensed house, has increased in popularity during the past twelve months, particularly since the Coronation.

In spite of more competitive trading conditions, and the increasing popularity of Television, it is gratifying to note that our trading figures have been satisfactory and we look forward to the future, confident in the knowledge that not only can we maintain, but increase our trade.

It has always been the policy of this Company to give the closest possible attention to the requirements of our customers, realising as we do that the habits and customs of the public are liable to change as between one generation and the next. When the policy of "fewer and better" was being fully developed after the 1914-18 war we were proud to lead this movement. The policy revolutionised the licensed house of the day and proved that the Trade, conscious of its responsibilities, was capable of keeping abreast of the times.

The recent war imposed upon us a great number of changes in our habits and modes of life, some of which have remained, and we feel that whilst the licensed house will continue to form an integral part of the British way of life, its function and character are likely to be subject to changes during the next decade. Such changes will in no way be revolutionary and of necessity they will be gradual, but we feel that if the licensed house is to retain its rightful position as a social centre, the facilities at present provided will have to be increased and improved, particularly with regard to the provision of food and entertainment.

RESEARCH AND RECONSTRUCTION

This year we have commenced to reap the benefit of our postwar planning and reconstruction in the brewery. In spite of the high cost of plant replacements we are keeping our brewery up to the high standard we have always maintained and the new plant and machinery now working are proving more economical to run and saving labour.

Continuing the programme of modernising the machinery and increasing the output of the bottling there has been further installation of new plant and conveyors. One of the most outstanding items of the new plant is a complete new unit with washing, filling, pasteurising and packing machines, the output capacity being the largest of its kind, dealing with 14,500 bottles per hour. The installation of this new machinery is enabling us to deal effectively with this expanding side of our output and to effect important economies.

This year's barley crop proved to be more satisfactory than the bad weather conditions first led us to expect. By selective buying we have acquired the best quality barleys which we know will make the finest malt for our "good honest beer." There has been a fall in the national demand which eased the overall price per quarter and it is expected that the fall in world prices of feeding stuffs will continue this trend.

In continuance of our policy of expansion in South Wales, I am glad to inform you

that we have recently acquired the "Potters Arms," Newport, an up-to-date and centrally situated fully licensed property which is proving a valuable addition to your company's assets.

Last year I referred to the Town and Country Planning Act 1947 and the fact that compensation for acquisition by local and other authorities was made up of the existing use value plus the development value claim, the latter being based on 1947 prices. I am pleased to say that my remarks have been supported by a number of trade associations and professional bodies and I sincerely hope that in fairness to everyone the Government will see their way to delete this reference to 1947 values in their forthcoming legislation.

NEW DEVELOPMENTS

Considerable progress has now been made in the licensing planning of the City of Birmingham, and it is likely that very shortly a scheme for the redistribution of the licences in a large area will be the subject of a submission to the Minister of Housing and Local Government, for his approval.

I feel strongly that now the situation with regard to the building of dwelling-houses has so greatly improved, the needs of the public in regard to the provision of new licensed premises should receive urgent attention. There are in Birmingham and Coventry a number of large housing estates approaching completion, and in order to achieve a balanced development it is essential that licensing facilities should be available.

Similar housing development to that in Birmingham and Coventry is also taking place to a lesser degree in a number of other towns in which we trade. In Redditch, Dudley, Stourbridge, Nottingham, Derby, Leicester County, West Bromwich, Bromsgrove, Aldridge, Bilston, Coleshill, Halesowen, Kidderminster, Leamington, Oldbury, Rugby, Solihull and Worcester we have sites which have been selected with a view to serving new building estates. We know the trade is there and you may rest assured that your company will do all in its power to supply the demands of the public in these areas, at the earliest possible opportunity.

BARCLAYS BANK LIMITED

CAPITAL REORGANISATION APPROVED

Separate meetings of the holders of the "A," "B" and "C" stocks and an extraordinary general meeting of the stockholders of Barclays Bank Limited were held at the head office of the Bank, 54 Lombard Street, London, E.C.3, on November 25th.

Mr A. W. Tuke, chairman of the Bank, presided at each meeting.

Extraordinary resolutions of consent having been approved at the separate class meetings on behalf of the "A," "B" and "C" stockholders, the extraordinary general meeting passed the special resolution for effecting the increase and reorganisation of the capital of the company and the alterations of its Articles of Association which had been circulated to stockholders with the notice of meeting.

The chairman announced that of the proxies lodged for the respective meetings, an overwhelming majority in each case was in favour of the resolution submitted, the proportion of votes directed to be cast in favour varying from 97.7 per cent to 99.8 per cent.

The proceedings terminated with a vote of thanks to the chairman for presiding.

THE NATIONAL BANK OF AUSTRALASIA

(Incorporated in Victoria)

OVERALL IMPROVEMENT IN CONDITIONS

MR H. D. GIDDY ON PROBLEM OF HIGH COSTS

The ordinary general meeting of The National Bank of Australasia Limited, with which is united The Queensland National Bank Limited, was held on November 25th in Melbourne.

Mr H. D. Giddy, the chairman, presided and in the course of his speech said:

The balance sheet totals, at £256,849,373, are £27,842,146 higher than last year as the result of a rise of just over £30 million in deposits. Deposits will always be basic to our progress, and this excellent addition is close to the record annual increases of the inflationary boom years from 1949 to 1951. Advances are £10,332,545 lower than last year, and these movements have improved the bank's liquidity. Liquid assets are £40,135,557 higher, a gain which just about equals the deposit increases and the reduction in advances.

The lift of £661,389 in gross earnings was almost wholly offset by the increase of £609,400 in expenses and taxation provisions, resulting in a small increase of £51,989 in the net profit of £668,954. The directors felt an increase in dividends to be justified, and accordingly the interim dividend in May was raised to a rate of 4 per cent, and this meeting will be asked to approve a final dividend at the same rate, making 8 per cent for the year.

NEW BANKING LEGISLATION

Two Bills were introduced into the Federal House of Representatives on February 19th this year amending the Commonwealth Bank Act and the Banking Act of 1945. The amendments to the Banking Act came into operation on April 29, 1953.

The Government failed to separate completely the central and trading bank functions of the Commonwealth Bank; and compromised by transferring the activities of the general banking division to an entity known as the Commonwealth Trading Bank of Australia, which will commence operations on December 3rd next. In fact, this new organisation will still be subject to the same overall control as formerly.

This compromise offers no real immunity from interference by any future government so minded. Australia, particularly its banking system, still suffers from the failure by many governments over forty years to establish, once and for all, a truly central bank completely independent of competitive commercial banking.

The right of the Commonwealth Bank to call to special account 75 per cent of the increase in a bank's Australian deposits constitutes a severe control over the business activities of the trading banks, and is excessive for overall credit management purposes. However, we welcome repeal of the old retrospective power to call amounts into special account and removal of the huge liabilities that had accrued under the severe provisions of the 1945 Banking Act. We welcome also repeal of the statutory prohibitions under that Act on the investment of surplus funds in government and other securities.

The present banking position has a different complexion from that of a year ago. The fiscal year 1951-52 ended with a balance of payments deficit of £A585 million, and in consequence over the twelve months to

September, 1952, the main trading banks had to meet an outflow of well over £200 million of liquid funds to support industry through that difficult period.

By contrast, the 1952-53 balance of payments showed an extremely valuable surplus of £A171 million, resulting in the main trading banks enjoying an inflow of funds of about £A188 million for the twelve months to September last.

This change for the better in our external position and the enlightened monetary policy of the Federal Government have been primarily responsible for restoring the liquidity of the banking system to a reasonable level.

THE BUSINESS IMPROVEMENT

A material overall improvement in the level of industrial and commercial activity has occurred since I last addressed you. The more liquid state of business generally, following the reduction of excessive stocks, has buttressed business confidence and brought a return of scope for new activity.

The business scene at the moment is one of practically full employment, with its accompaniment of a high market demand. There seems no reason to suspect that these conditions will not continue during 1953-54.

It is of supreme importance that this position should not spill over into one where excessive activity by Governments and private enterprise again force the home market into excess demand and inflationary pressure. A further, and wholly disastrous, upsurge in costs and prices would then be inescapable.

This general improvement in the overall financial position in Australia has not been accompanied, unfortunately, by any parallel achievement in overcoming the problem of high costs. Gains have been made, it is true, and the ominous cost and price trend of two years ago has been substantially halted. But our costs are at a very high level, and there is evidence of a worsening in our overseas competitive position. One thing is certain: our cost levels must not be permitted to rise higher.

NEW FOUNDATIONS FOR GOVERNMENT SUPERVISION

Looking back over the past year or so, one must conclude that the overall supervision of the economy by the Federal Government has been wisely applied in the general interests of the community. The recovery which has taken place is indicative of its success. But more important still perhaps is the fact that the methods adopted may be the precursor of a kind of Government supervision which is appropriate to, and will fit in with, the free price market and retention of the profit concept as basic economic criteria.

The Federal Government has made, I feel, a sincere attempt to use weapons of economic oversight which are compatible with the flourishing of free enterprise in a modern society. This may well be in accord with a worldwide trend of the democratic countries. I believe we are witnessing the emergence of the idea that a more delicate touch is essential if Governmental economic supervision and a virile private enterprise are to live together. The report was adopted.

THE BRITISH LINEN BANK

FURTHER SATISFACTORY PROGRESS

LORD AIRLIE'S SPEECH

The annual Court of Proprietors of The British Linen Bank was held on November 24th at the Head Office, Edinburgh, The Earl of Airlie, Governor, presiding.

The following is an extract from Lord Airlie's speech:

Your board of directors are gratified to have been in a position again to present to you an eminently sound balance sheet, showing further satisfactory progress. It is appropriate that so memorable a year from the national standpoint should also be notable in the bank's own story, in that for the first time our total resources are in excess of £100 million.

Record levels have been reached in the figures of several individual items of the balance sheet. Current, deposit, and other accounts at £83,584,000 show the striking increase of £5,382,000 as compared with last year. There is a rise of £808,000 in the note circulation to £10,175,000. Acceptances etc., on account of customers are up by no less than £1,905,000 at £4,949,000, reflecting highly active recourse by our customers to our credit facilities for overseas trade, and including some such engagements on their behalf of a special and perhaps non-recurring character.

On the assets side, cash and other liquid items total £30,247,000—giving a ratio of 32.2 per cent to the combined amounts of deposits and notes. The increase in deposits not having been matched by a like movement in advances, we have made additional investments which bring the book value of our portfolio up to £47,981,000, a rise of £6,312,000. The amount outstanding in advances, £18,671,000, is practically unchanged on the year. Much as we should like to employ a substantially higher proportion of our funds in this way, recent conditions have not favoured this. Indeed, the general trend of the volume of bank lendings seems meantime to be downwards.

PROFIT AND LOSS ACCOUNT

As shown in the report and profit and loss account, the bank's net profit for the year amounted to £250,264—an increase of some £24,500 on the previous year's figure. It is pleasing to see this recovery in our earning capacity, which is still modest in relation to the resources employed in the business. Adding the balance of £181,137 brought forward from last year, the sum available for distribution is £431,401. Of this, £55,000 has already been applied in payment of the usual dividend for the half-year to March 31st last at the rate of 16 per cent per annum, less income tax, and it is now proposed to devote £55,000 in payment of a dividend at a like rate for the second half of the year. Transfers of £54,000 to staff pension fund and £75,000 to contingencies leave the sum to be carried forward at £192,401, an increase of £11,264 on the amount brought in.

The heavy burden of taxation is of great danger to our competitive power as a trading nation, as well as a strong deterrent to individual effort. I would again add my word of warning to the many which have emanated from highly responsible and well-informed quarters on this subject, and I would express the hope that the urgent need for substantial relief will yet be recognised by a bolder resort to every practical means of retrenchment of national expenditure.

The report was adopted.

BLYVOORUITZICHT GOLD MINING COMPANY

MR W. M. FRAMES ON URANIUM PRODUCTION

At the sixteenth annual meeting of shareholders held in Johannesburg on November 17, 1953, Mr W. M. Frames, the chairman, in the course of his remarks, said:

Compared with the previous year's results, the working profit of £6,362,500 from gold mining showed the substantial decrease of nearly £1,333,000, which was due to the reduced tonnage milled, the lower yield, the drop in the premium on sales of gold at enhanced prices and increased working costs. The lower yield conformed with the reduction in value of the ore reserves over the past few years, while the movements in the tonnage milled and unit working costs were due principally to the severe decrease in the average number of non-European underground employees. Under the conditions of the serious labour shortage which is common to the whole gold-mining industry, it was necessary, especially as your mine is in the relatively early stages of its career, to preserve the balance between productive and non-productive work by spreading the limited labour available to the best advantage over the various operations at the mine. Even against this background sufficient ore was developed to maintain the available reserve at very nearly the same tonnage as at the end of the previous year.

Good values were disclosed during the year in reef driving on the 8th level at A1 and A2 sub-incline shafts and in the reef winzes at A3 sub-incline shaft. A large proportion of the development west of No. 2 Shaft was accomplished by raises, and the values were very much in accordance with those exposed in the adjacent drives. The drives being advanced into the western area of the property progressed relatively slowly because of the intersection of water-bearing fissures.

Sinking of the sub-incline shafts was retarded by water control problems and as these may cause further delays additional reef winzes have been started from the present bottom levels of the mine so as to expedite lateral development. Work on the twin haulages south from Nos. 1 and 2 Shafts to the positions of the sub-vertical shafts was continued. It is planned to commence sinking No. 1 sub-vertical shaft first, and for that reason work was concentrated mainly on the haulage south from No. 1 Shaft.

URANIUM PRODUCTION

The uranium plant commenced operations in April but, due to initial plant difficulties and consequent adjustments, output was seriously restricted and the estimated profit for the period amounted to £21,710. Since the close of the year the plant has operated reasonably satisfactorily but not to its full extended capacity, due primarily to difficulties experienced in making up the shortage of current residue slime with additional tonnage from the accumulated slimes dam. However, I am pleased to report that by the end of this year the plant is expected to be in the position to operate at full capacity.

In so far as lease consideration and taxation are concerned, the income from uranium is merged with that from gold and these liabilities are calculated by applying the lease formula and the gold mining taxation formula to the combined revenue, costs and profits from both sources; likewise, the redemption allowance is calculated on the total capital expenditure in respect of gold and uranium.

On several occasions over the past seven years the attention of shareholders has been directed to the fact that the considerable sums expended on capital account have resulted in lower mineral lease consideration and taxation payments, but that the time would arrive when the expenditure would, to a great extent, be redeemed and the liabilities to these payments would then be much heavier. It may not be generally realised that, with the present rate of 27½ per cent per annum allowed for the redemption of capital expenditure, 72.4 per cent of such expenditure is redeemed within four years. The heavy capital expenditure on uranium during the past three financial years has resulted in the total lease consideration and tax liabilities of the company being less by about £900,000 and, although the unappropriated balance has increased by £850,000 during this period, it should be appreciated that the total dividends paid would probably have been less had the company not received the substantial benefit of the redemption allowance in respect of uranium capital expenditure.

It is anticipated that the rate of capital expenditure on the gold mining section of the company's operations will decrease during the next five years and as the uranium plant is practically completed the annual redemption allowance will in future be substantially less with consequent increases in the mineral lease and taxation payments.

NEW AGREEMENT

As you will have seen from the directors' report, a new agreement has been entered into, which supersedes the agreements entered into in 1945 and 1948 between this company and certain other parties, recording the conditions upon which it has been decided to investigate further the possibility of establishing a single ultra-deep mining unit on an area of approximately 4,820 morgen of ground lying to the south of the property of this company and that of West Driefontein Gold Mining Company Limited. In the event of it being agreed to exploit the area and to form a new company for that purpose, this company would be refunded any drilling expenses and would be entitled to a 25 per cent participation in the vendor consideration, which would be applied in subscribing for shares in the new company. This company would also be entitled to a 30 per cent subscription right at par in that company's initial working capital.

In reply to a shareholder who commented on the results so far obtained from the production of uranium when compared with certain other uranium producers, and to his inquiry whether the board of directors was satisfied with the grade obtained and with the extraction of uranium on the company's property, the chairman stated that he was prevented from answering certain aspects of the question owing to the provisions for secrecy imposed by the Atomic Energy Act. He could, however, state that the difficulties which had been experienced in the initial stages of running the plant were, as in the case of all new plant, due to teething troubles, and that in the circumstances the board was satisfied with operations.

The report and accounts were adopted.

ROOTES MOTORS LIMITED

RECORD OUTPUT ACHIEVED

EXPORT EXPANSION—PRIME OBJECTIVE

The annual general meeting of Rootes Motors Limited will be held on December 15th in London.

The products of the Rootes Group are Humber, Hillman and Sunbeam-Talbot cars and Commer and Karrier commercial vehicles.

The following is an extract from the circulated statement of the chairman, Sir William Rootes, KBE:

The consolidated accounts of the company and its subsidiaries in respect of the year ended July 31, 1953, show a profit before taxation of £3,307,335 against £3,425,697. A record output was achieved by our factories in the year under review, largely as a result of a better flow of materials coupled with greater productivity. However, improved specifications of our products without corresponding price increases resulted in lower margins. Taxation again takes its toll; the provision to be made from current profits is £2,198,086, and we have had to provide £411,001 for excess profits levy. The Chancellor has removed, none too soon, this iniquitous tax. The net profits amount to £1,236,498. Your directors have decided to retain in the group £1,003,326, and propose that 32½ per cent should again be paid on the ordinary share capital.

COSTS AND FOREIGN COMPETITION

Fundamentally, we in our industry have changed from a sellers' to a buyers' market. So long as the management, the staff, those on the factory floor and in the field realise this solid fact and act accordingly, we can go forward with confidence. It is our policy not only to hold but to expand our export markets, and this must remain our prime objective if we are to play our part in national survival. We are proud that our industry has done such good trade in the dollar areas. In the period under review our sales to those markets were a record. Much greater efforts, however, must be made to recapture the vast South American markets, traditionally British for many years. I believe that a more vigorous and unrestricted approach to the problems surrounding these markets will yield dividends for British exports.

Foreign competition is with us in great strength, but we have no doubt of our ability to sell in the face of this competition provided the country is cost conscious and, supported as we are by products which have, in recent years, proved their worth throughout the world. In Europe our sales are holding up remarkably well.

The days when industry could be relatively complacent about selling its output at its own price have gone. If we are to hold our position there is but one answer—reduced costs and better value for money.

We in the Rootes Group have always advocated the sale of our products in the markets of the world as being nationally essential. I have also spoken many times, but with less success, on the serious state of roads in the United Kingdom. Surely the Government cannot much longer ignore this problem.

Finally, may I say that I am glad we are beginning again to see a sound competitive home market, but I must add that, so long as our primary effort must be to satisfy export demands, our deliveries to the home market will of necessity fluctuate from time to time.

ROAN ANTELOPE COPPER MINES LIMITED

The following is an abridgment of the Statement, dated October 9, 1953, by the Chairman (Mr R. L. Prain, OBE) circulated to the Members:

The past year may by any criterion be regarded as an historic one for your Company. Not only were production and financial records established, but also there occurred certain events which will have far-reaching effects on the future of the Company and the Rhodesian Copperbelt generally. I refer to the transfer of control of this and associated companies from London to Rhodesia; to the return to free trade in copper after nearly 14 years of UK Government public bulk purchasing; to the Federation of Rhodesia and Nyasaland; and to the negotiations which the copper mining companies have initiated on the subject of the industrial colour bar.

RESULTS FOR THE YEAR

The mine and mill broke all records in hoisting and milling 4,845,600 tons of diluted ore which produced 87,307 long tons blister copper, a new company record.

Production costs per long ton blister copper at Beira worked out at £108 11s. 5d. an increase of about 25 per cent over the previous year. The main causes for the rise were a higher royalty, higher cash bonus (both related to the price of copper), increased African wages and the African strike.

The price received for our product during the year averaged £248 12s. 4d. per long ton at Beira, which is by far the highest price to date. Our profit margin before taxes or reserves was £135 18s. 2d. per ton, and the operating surplus for the year was £12,424,375.

As a result of the transfer of the Company's residence, part of the reserve made in the previous year for United Kingdom income tax becomes liberated and in this way £2,165,000 is taken in as a credit against our remaining tax liability which is substantially for Northern Rhodesia income tax alone. This amounts to £4,565,000 so that after crediting the above-mentioned £2,165,000 the tax debit to the Appropriation Account is £2,400,000.

The sums of £2,750,000 and £3m were transferred to the General Reserve and Replacements Reserve respectively.

After making these reserves, the directors recommend a dividend of 2s. per share, leaving to be carried forward the sum of £53,000.

Mr Prain referred to the mine position, the award of the Arbitrator following the strike of African employees at the end of 1952 and to the fuel position on the Copperbelt. He continued:

POWER

You will be aware from my statement last year that we have been discussing with the Union Minière du Haut-Katanga the possibility of drawing hydro-electric power from sources being developed by them in the Belgian Congo. An agreement was signed with them on September 16, 1953, which provides for a supply of up to 500 million KWH annually in the years 1957/66.

The Copperbelt's power supplies, of which the power to be drawn from the Belgian Congo will form a part, have, as you know, been co-ordinated by the Northern Rhodesia Power Corporation Limited, in which your Company had a 25 per cent shareholding interest, as did the

other three major copper producers in Northern Rhodesia. With the consent of HM Treasury the Corporation transferred its assets on July 20, 1953, to a new company incorporated in Northern Rhodesia and known as the Rhodesia Congo Border Power Corporation Limited, the shares of which are similarly held equally by the four major copper producers. Your Company has an agreement with the new Corporation governing the sale of power by the mine to the Corporation's network and the purchase of power from that network.

I am glad to be able to report that a further source of hydro-electric power should be available to us around the end of the current decade from the project to develop power from the Kafue River at the Gorge a few miles above its confluence with the Zambesi.

The Company's seat of control was moved to Rhodesia on July 1, and the move was carried out with a minimum of dislocation. We are now established in temporary quarters in Lusaka. In view of our emigration, Selection Trust Limited has been appointed London Registrars and Paying Agents as from July 1, 1953. The Anglo Metal Company Limited, of London, continues to act as our Sales Agents.

FEDERATION

This year has seen the birth of the Federation of Rhodesia and Nyasaland. On the broadest political grounds this is a development greatly to be welcomed. Our affairs in future will come partly into the province of the Federal Government and partly into that of the Northern Rhodesia Territorial Government. We hope that we shall be found ready to play our full part in the great political and economic developments that lie ahead of Central Africa.

One of the first-fruits of Federation, with its declared object of partnership, was the move, publicly announced last May, by the copper companies to initiate discussions on the industrial colour bar on the Copperbelt. This problem permits of no easy or quick solution. It is one common to many parts of Africa. Any attempt to solve it is apt to evoke suspicion, alarm, resentment and prejudice. Yet nothing is clearer than that the present situation is untenable both in principle and in practice; nor, unfortunately, is the inevitability of change in this case one which can be contemplated as being likely to take place under conditions of gradualness. To harbour this delusion is to blind oneself deliberately to the lessons of history, and can lead only to the rude awakening which has occurred, often in tragic circumstances, elsewhere in Africa. Once this is recognised I am confident that the action of the companies in attempting to deal with this problem will be seen in its real light, namely, an attempt to do justice to the legitimate aspirations of one section of their employees while at the same time safeguarding the continued industrial and social security of the other section of their employees. The subject is a challenge to the European claim of leadership without domination, and to the liberal principles of British Colonial policy.

On the satisfactory solution of this problem depends, perhaps more than on any other, the continued prosperity of this industry, which in all other respects would appear to be endowed with more than usual advantages and talents. These can be harnessed to the benefit of employees, stockholders, our country of production, and the free world generally, for many years ahead, if wisdom will prevail where at present suspicion reigns; without wisdom, all will suffer.

RHOKANA CORPORATION, LIMITED

EXTREMELY SATISFACTORY RESULTS

The thirty-first annual general meeting of Rhokana Corporation, Limited, will be held on December 16th at Nkana, Northern Rhodesia.

The following is an extract from the statement by the chairman, Sir Ernest Oppenheimer, dated October 28, 1953, circulated with the report and accounts for the year ended June 30, 1953: The past year's results can be considered extremely satisfactory. The operating surplus for the year to June, 1953, was approximately £9,900,000; this is some £500,000 more—on a somewhat smaller sales tonnage—than that earned on a comparable basis in the preceding year, during which abnormal sales resulted in an exceptional profit of £640,000, which was transferred, after taxation, to sales equalisation reserve. Investment income is also higher, by about £600,000, as a result of increased dividends received from Rhokana's large shareholding in Nchanga Consolidated Copper Mines Limited.

The Nchanga company's profit after taxation, for the year to March 31, 1953, showed an increase of approximately £2,500,000 over the comparable figure for the preceding year. Nchanga's scale of operations has shown remarkable expansion in the last few years. The board of that company has recently decided to embark on large-scale open pit mining as an adjunct to underground mining, with a view to securing a better balance in the grade of ore mined in relation to the company's overall ore reserves.

BANCROFT MINES

A major event in the past year has been the formation of Bancroft Mines, Limited, to acquire the Konkola and Kirila Bomwe properties from your corporation. The total estimated cost of bringing the new mine to production is about £12 million, of which £6 million has been raised initially. Your Corporation has subscribed for 9,500,000 of the 20 million shares which have been issued. While the subscription by your corporation of such a high proportion of the Bancroft capital involves the placing to reserve of a large share of profits, the benefits which may be expected to accrue from this investment justify the withholding of funds which might otherwise have been paid out in dividends. It is indeed a matter of considerable satisfaction that your Corporation should have been able to finance such a large stake in Bancroft out of its existing resources whilst simultaneously maintaining its total dividends for the year at the level of those paid for 1951-52. It is now anticipated that it may be possible to bring Bancroft to the production stage during 1957.

The price of copper since the re-opening of the London Metal Exchange has remained steady at satisfactory levels. Contracts have been finalised with consumers for the greater part of the Corporation's anticipated output for the current year and for a substantial part of that output in later years.

The Federation of the two Rhodesias and Nyasaland is now an accomplished fact. We as a Corporation, have played a great part in the past history of Northern Rhodesia and we look forward with complete confidence to the Corporation's future role in the new and greater Rhodesia that is now emerging.

Copies of the annual report and accounts may be obtained from the Head Office, Kitwe, or from the transfer offices at 44, Main Street, Johannesburg and 11, Old Jewry, London, E.C.2.

MUFULIRA COPPER MINES LIMITED

The following is an abridgment of the Statement, dated October 8, 1953, by the Chairman (Mr R. L. Prain, OBE) circulated to the Members:

The past year may by any criterion be regarded as an historic one for your Company. Not only was a financial record established, but also there occurred certain events which will have far-reaching effects on the future of the Company and the Rhodesian Copperbelt generally. I refer to the transfer of control of this and associated companies from London to Rhodesia; to the return to free trade in copper after nearly 14 years of UK Government public bulk purchasing; to the Federation of Rhodesia and Nyasaland; and to the negotiations which the copper mining companies have initiated on the subject of the industrial colour bar.

RESULTS FOR THE YEAR

Production amounted to 76,089 tons of primary copper, of which 50,737 tons were produced in the form of blister copper and 19,212 tons as electrolytic cathodes, the remainder going into operating stocks for the refinery.

FINANCIAL

As a consequence of the decreased production, costs increased by about 27 per cent over the previous year, i.e., from £86 1s. 1d. per ton blister at Beira to an average of £109 8s. 3d. per ton of blister or cathode. Apart from the decreased output, other causes for the rise include the higher royalty based on the higher price received during the year, higher cash bonus and increased African wages.

Sales amounted to 55,486 tons of blister and 17,495 tons of cathodes, the prices received for these products being £245 6s. 1d. and £261 12s. 7d. per ton respectively, in each case expressed f.o.b. Beira. This is, of course, by far the highest price yet received by Mufulira for its products. Our profit margin before taxes or reserves was £135 5s. 1d. per ton, and the operating surplus for the year was £10,535,916.

The main deductions to be made from this profit, before considering the final dividend, come under the heading of taxes, transfer to Replacements Reserve, and appropriations to General Reserve. As far as taxes are concerned, this is an exceptional year. As a result of the transfer of the Company's residence, part of the reserve made in the previous year for United Kingdom income tax becomes liberated and in this way £1,997,000 is taken in as a credit against our remaining tax liability which is substantially for Northern Rhodesia income tax alone. This amounts to £3,842,000 so that after crediting the above mentioned £1,997,000 the tax debit to the Appropriation Account is £1,845,000.

The sums of £2,750,000 and £3m. were transferred to the General Reserve and Replacements Reserve respectively. The former sum is intended to cover the following main items: loan to Rhodesia Congo Border Power Corporation, £750,000; further investment in Chibuluma, £400,000; further contribution towards capital cost of refinery, £500,000. The rest of the transfer is intended to cover miscellaneous items for which cash must be retained in the business.

After making these reserves, the Directors recommend a dividend of 5s. 3d. per share. Together with the interim dividend which was paid before the Company emigrated, this means a distribution of £2,811,000 in respect of the past year; the carry-forward will be £125,000.

The position of the mine remains satisfactory. The ore reserves now stand at 231,730,000 tons, including 25m. for Chambishi and 70m. for Baluba. Development has been maintained satisfactorily.

During the past year the refinery came into operation for the first time. Cathodes were first pulled in November 1952 and by the end of the year the tankhouse was running at its rated capacity of 3,000 tons per month. The extension which will double this capacity is expected to come into operation early in 1956.

CHIBULUMA AND BALUBA

During the year the Chibuluma Company made an announcement regarding the increased cost of equipping the property, the favourable trend of ore sampling and metallurgical testing, and the further arrangements made with the United States Government for the financing of the property. Our investment in Chibuluma is now £1m. We have great confidence in this property and developments to date are all favourable.

I have referred in my two last statements to the possibility that we should begin to develop the Baluba orebody by means of a new company to be called Baluba Mines Limited. I indicated last year that negotiations for the provision of the finance were well advanced and so was the exploration at the property to determine the characteristics of the orebody.

It is with some regret, therefore, that this year I have to announce that your Board had decided not to proceed with the Baluba venture at this time. I will recapitulate briefly the events which led to this decision.

At the time of my last statement the cost of developing Baluba to produce about 100,000 tons of ore per month was estimated at about £9m., and on this basis we had been negotiating with the Export-Import Bank of Washington for credit facilities of \$21m., while the equity to be issued by Baluba would be £1.5m. It was then considered necessary to re-examine the estimates and as a result it was found that the cost would be nearer £13m. We therefore asked the Bank whether they would increase the credit to \$30m., on condition that the equity would also be increased. We also asked for certain guarantees as to price and market. Unfortunately the Bank were unable to agree and the Board decided that the enterprise was too marginal to proceed with at the present time.

In view of Baluba's considerable ore reserves, and an estimated cobalt content of .18 per cent which may well make it the greatest undeveloped source of cobalt in the world, it may be asked why the enterprise should be described as marginal. The reason is that the potential ore production of 100,000 tons per month, equivalent to 24,000 tons of copper per year, is not big enough to justify a capitalisation of £13m. if the bulk of the capital consists of loan capital.

Mr Prain referred to the award of the Arbitrator following the strike of African employees at the end of 1952, and to the power and fuel situation on the Copperbelt. He continued:

EMIGRATION

The Company's seat of control was moved to Rhodesia on July 1st and we are now established in temporary quarters in Lusaka.

In view of our emigration Selection Trust Limited has been appointed London Registrars and Paying Agents as from July 1, 1953. The Anglo Metal Company Limited, of London, continues to act as our Sales Agents.

CONSOLIDATED MAIN REEF MINES AND ESTATE, LIMITED

LABOUR FORCE PROBLEMS

At the fifty-fifth annual meeting of shareholders held in Johannesburg on November 17, 1953, Mr N. W. S. Lewin, the chairman, in the course of his remarks said:

The decrease in the profits earned during the year under review to slightly more than half of those of the previous year was due to the drop in revenue caused in the main by the fall in the tonnage milled resulting from the decline in the non-European labour force. The tonnage milled and consequently the profits during the current financial year are below those of the corresponding period of 1952 and reflect further the difficult labour conditions under which the mine is operating.

LOWER TONNAGE MILLED

The fall in the tonnage milled in addition to decreasing the revenue caused a substantial rise in unit working costs which in turn resulted in an increase in the pay limit. This increase in the pay limit tended to reduce the percentage of payability of the reefs being opened up in the various development areas and caused the exclusion of some 585,000 tons of ore, previously classed as payable, from the ore reserves. In previous annual addresses the chairmen have informed you of the position on each of the five reefs in some detail and have stated that on all but the main reef primary development was no longer taking place. Development on the 66th level main reef was stopped during the year as values were too scattered and the percentage of payability too low to justify further primary development. Throughout the mine, therefore, development is now confined almost entirely to secondary or internal work but, as is mentioned in the manager's report, two drives are being advanced on the Kimberley and Bird reefs into the Crown Mines property with a view to prospecting and tributary sections inaccessible to that mine. Occasionally in the internal development, patches of abnormally rich ore are exposed. It was due to one of these occurrences that the development for the quarter ended September 30th gave such high values.

Shareholders will have noted in the annual report the warning that unless conditions change for the better a further falling off in the scale of operations must be expected over the next few years. Every effort is being made to keep unit costs from rising but it will become more and more difficult to do so in the face of shortage of non-European labour and additional expenditure due directly and indirectly to increased railage and power charges. Quite apart from the labour supply the present and prospective ore reserve position at the mine is such that the tonnages developed are likely, as in the past few years, to fall short of the tonnages mined and a gradual decline in the tonnage milled and therefore in revenue will before long be unavoidable. Plans are now being formulated in order to ensure as far as is practicable a proportionate reduction in overall expenditure as the scale of operations declines.

In reply to a written question from a shareholder, the chairman stated that the position in connection with uranium had been carefully investigated but it appeared to be unlikely that the company would be invited by the Minister of Mines to become a producer of uranium.

The report and accounts were adopted.

KAMUNTING TIN DREDGING

MR JACK ADDINSELL'S STATEMENT

The fortieth annual general meeting of Kamunting Tin Dredging, Limited, was held on November 24th, at 55-61 Moorgate, London, E.C., Mr Jack Addinsell (chairman of the company) presiding.

The following is his statement for the year ended March 31, 1953, which had been circulated with the report and accounts and was taken as read:

The accounts now presented reveal another year's satisfactory trading, and your board is happy to be able to recommend the payment of a final dividend of 27½ per cent, less tax, which with the interim of 12½ per cent already paid makes a total of 40 per cent, less tax—the same as was paid last year.

The sum of £33,000 has been written off dredges, buildings and plant as additional depreciation in order to leave these assets at a figure in the balance sheet which your board considers reasonable in the light of conditions obtaining today. A further sum of £75,000 has been placed to transfer of dredges reserve, bringing the total under this heading to £275,000.

CONCENTRATE PRODUCTION

Production of concentrate during the year amounted to 1,979 tons—a decrease of 503 tons on that of the previous year. This decrease was due mainly to our Pangnga No. 2 dredge having exhausted its payable ground in February, 1952, and to a decline of 76 tons in the output of Pangnga No. 1, the two together showing a decrease of 429 tons.

The payable areas on the Pangnga River leases have now been exhausted and the two dredges are being transferred to our new property at Bangtoe. While it is not possible to form an accurate forecast of the dates on which these dredges will commence production, shareholders can rest assured that everything possible is being done to expedite the work of transfer and reconstruction.

It now appears that the cost of this work will be about £570,000, and it is satisfactory to note that the whole of this will be found from the cash balances accumulated from profits of past years.

Our No. 1 dredge on the Kamunting property has exhausted its payable reserves and ceased operations in April of this year. This is our oldest dredge and has been in commission since 1915. It is a shallow-digging machine, and it is very doubtful if a suitable area can be found for it; meanwhile it is placed on a "care and maintenance" basis.

Shareholders will appreciate that until the two Pangnga dredges commence production from the Bangtoe area we shall be faced with a further decline in production, for, as already mentioned, our Pangnga No. 1 and Kamunting No. 1 dredges, which together produced 557 tons of concentrate during the year under review, are now out of commission.

DRASTIC PRICE FALL

Since the end of the company's financial year the price of tin in Singapore, which on March 31st was equivalent to £921 15s per ton, has fallen drastically, and is now the equivalent of a little over £600 per ton. It will be patent to shareholders that such a decline must have a seriously adverse effect on the profits of all tin-mining companies.

The campaign against the terrorists in Malaya has gone and is going well under the able direction of Sir Gerald Templer, but the most careful precautions must still be

taken in every direction, and our thanks are due to the members of the staff in both Malaya and London for their continued loyal service and support.

The report and accounts were unanimously adopted and a final dividend of 27½ per cent, less tax, making a total of 40 per cent, less tax, for the year, was approved.

The retiring director, Mr W. E. Wallis, was re-elected, and the other formal business having been duly transacted, the proceedings terminated.

THE FINANCIAL NEWS, LIMITED

DIVIDEND MAINTAINED

The fifty-sixth annual general meeting of The Financial News, Limited, was held on November 24th, at Winchester House, Old Broad Street, London, E.C.

Colonel O. E. Crosthwaite-Eyre, MP, deputy chairman, who presided in the absence through indisposition of the chairman of the company, The Rt Hon Viscount Bracken, read his speech as follows:

The consolidated profit before taxation for the year ended June 30, 1953, amounted to £133,283, an increase of £20,747 over the previous financial year. All the newspapers in which we hold shares earned satisfactory profits and having done so well your directors recommend the maintenance of the rate of dividend for the year at 60 per cent by the payment of a final dividend of 35 per cent. After this payment, the carry forward of The Financial News and its subsidiaries is increased by £17,345.

You will see from the consolidated balance sheet that current assets exceed current liabilities by £192,003. As our reserves are obviously considerable, amounting to £471,847 without including reserves for future income tax of subsidiaries, and as it is an understatement to say that the valuation of our assets in the accounts before you is much below their present worth, we hope that in the not too distant future we shall obtain permission to bring our issued capital nearer the true capital employed in the business.

The report and accounts were unanimously adopted.

THE FINANCIAL TIMES LIMITED

SATISFACTORY RESULTS

The twenty-sixth annual general meeting of The Financial Times Limited was held on November 24th at Winchester House, Old Broad Street, London, E.C.

Colonel O. E. Crosthwaite-Eyre, MP, deputy chairman, who presided in the absence through indisposition of the chairman of the company, The Rt Hon Viscount Bracken, read his speech as follows:

As we have already held one meeting this year, I do not propose to take up much of your time today. The need for a second meeting this year comes from the decision to change our accounting date from December 31st to June 30th. The reasons for making this change have been explained in the directors' report. From an administrative point of view the change is altogether desirable and we have been advised that no increase in our income tax liability for 1954/55 will result.

The group profit before taxation for the half year under review was £278,825, against £395,048 for the previous year. We are, therefore, recommending a dividend of 12½ per cent for the six months' period, which

accords with our annual payment of recent years. The profit figures show a substantial increase in the earnings of the group, but it should be remembered that, generally speaking, the first half of the calendar year is more profitable than the second.

We have, I think, no reason for dissatisfaction with the results so far: our printing interests show an increasing profit and the earnings of the *Financial Times* are pleasing.

We should record our gratitude to the editorial and managerial staffs of the *Financial Times* for the energy and judgment they have shown in the fulfilment of their ambition to produce a paper which, I think, both readers and advertisers believe, provides a refreshing blend of all that the intelligent and busy person seeks quickly to know of public, financial and industrial affairs.

The report and accounts were unanimously adopted.

MODDERFONTEIN EAST, LIMITED

MR N. W. S. LEWIN'S SPEECH

At the thirty-seventh annual meeting of shareholders held in Johannesburg on November 18, 1953, Mr N. W. S. Lewin, the chairman, in the course of his remarks, said:

The directors' report and the audited accounts for the year ended June 30, 1953, together with the reports of the consulting engineer and the manager, were circulated to shareholders over a month ago. The position revealed by these reports and by the more recent results published in the press reflects the prevailing difficult conditions of an inadequate labour force and of a mine in an advanced stage of its life.

In the circumstances, the results achieved during the year were as good as could have been expected and, in particular, I should like to draw your attention to the fact that although working profit decreased by 2s. per ton milled, costs increased by only 11d. per ton compared with increases of 2s. 3d. and 2s. 9d. in the previous two years. The decrease in working revenue of 1s. 1d. per ton was due mainly to a further fall in the grade of ore mined and decline in the additional income from sales of gold at enhanced prices.

The overall position at the mine remains, under present conditions, one of a progressive closing of the margin between the pay limit and the value of the ore mined, the figures of working profit per ton milled for October, 1953, being 2s. 5½d. as compared with 4s. 0½d. for the year to June 30th last. The higher grade ore in the eastern and western portions of the mine is virtually worked out and the centre of mining activity is shifting to the large pillars and blocks due east of and close to No. 1 shaft.

DEVELOPMENT

Primary development has virtually ceased in the main body of the mine but is continuing in the Klipfontein corridor area. A limited tonnage of payable ore is, however, still being developed in the former area by stoping. In the northern portion of the Klipfontein corridor No. 11 drive has been stopped on the major fault which will be the northern limit of development in the area. Drives on other levels are being advanced towards this northern limit but the percentage payability and the values continue to be low. In the southern portion of the corridor the SE incline raise and winze were advanced a total of 2,592 feet during the year and have now been connected. A few blocks of payable ore were opened up by development from the raise and driving from the incline is taking place on four levels.

The report and accounts were adopted

COCHRAN AND CO., ANNAN, LIMITED

HEAVY DEMAND FOR PRODUCTS

MR ROBERT ADEANE'S SPEECH

The fifty-first annual general meeting of Cochran and Company, Annan, Limited (Engineers and Boilermakers), was held on November 19th at 117 Old Broad Street, London, E.C.

Mr Robert P. W. Adeane, the chairman, who presided, said:

Gentlemen, it is with great pleasure that your directors are able to lay before you results of another year's successful trading. Good results do not call for long explanations so I will not detain you.

Whilst trading profit at £210,759 is slightly down as against last year—the net, after tax, profit of £76,374 is £8,140 up. This improvement is due to a number of factors, principally the lesser incidence of profits tax and excess profits levy during the year under review.

APPROPRIATION OF PROFITS

The manner in which we have dealt with the balance available after tax and the interim dividends will, I trust, give you satisfaction. The sum of £40,000 has been transferred to general reserve, bringing that reserve up to £210,000—not far short of our paid up capital. The sum of £15,750 has been written off the cost of acquiring patents and patent rights and after providing £13,000 for the final dividend, which you will shortly be asked to approve, £27,373 remains to be carried forward to next year.

If you will turn to the balance sheet—under current assets—you will note that cash and investments taking the latter at market value, amount to £211,822—an improvement in our immediate liquid resources of some £16,000 over last year. Your directors put great store upon maintaining the liquid position of the company so as to cover the eventuality of having to carry more stocks of steel than we are able to get today, and also to enable the company to maintain its efficiency and keep down costs of production by effecting improvements in buildings and layouts, and by purchasing the most up-to-date plant and machinery available without the fear of running the company short of working capital.

PROBLEM OF SHORTENING DELIVERY DATES

Demand for the Cochran boiler, for our Economic boiler and indeed for the whole range of our products, remains at a high level—in fact, from the number of inquiries we receive from all over the world, it might be said to be on the increase. We still have two years' work on hand, but I am glad to say that we are now beginning, as a result of an increased rate of turn-out, to eat into our back-log. The sooner this is greatly reduced and our delivery dates shortened the happier will be both our customers and ourselves. The problem is that the day has passed when customers will wait two or three years for delivery and we are hoping that, within the next year, we will be in a position to offer despatch inside twelve months.

Steel supplies are now better but we still want more than we get. Labour is fully employed in the area and we are still short of men in certain skilled grades.

Last year in my speech I referred to increasing competition and the need for an export drive. That drive has been instituted and is being intensified and should bear fruit in the future.

Mr R. R. Stokes, our managing director, has just returned from Canada. Our export manager is now on an extensive tour in the Near East and one of your directors, Mr R. Lamb, and various senior members of the staff will shortly be covering Africa and the West Indies. These are in addition to our usual routine trips to the Continent and other main areas where we have markets for our goods.

THE NEWBIE WORKS

Being confident in our future, we have pressed ahead with the development in the works at Newbie. The new boilerhouse is completed and in operation. The light plating shop extension has been finished; the block yard and crane gantry is now in use and the stores and dispatch bay extension is in course of construction.

Before concluding you will, no doubt, want me to say something with regard to the current year. To date finished products are leaving the factory at a greater rate than last year, and I have every confidence that once again trading results will be satisfactory.

Our staff and workers have worked well and loyally for the company during the year and I feel sure that you would like me to express the appreciation of shareholders to them for the high standard of their work and productivity during the year.

The chairman concluded by moving the resolution for the adoption of the report and accounts and the payment of a final ordinary dividend of 6½ per cent, free of tax (making 9½ per cent, free of tax, for the year).

The motion was seconded by Mr R. R. Stokes, managing director, and carried unanimously.

HOVIS LIMITED

QUALITY OF PRODUCTS

The fifty-fifth annual general meeting of Hovis Limited was held on November 26th in London, Mr J. F. Merton (the chairman) presiding.

The following is an extract from his circulated statement:

During the year under review the milling industry was still subject to the control of the Ministry of Food and it was not until as recently as August 29th that decontrol became effective. The constant watch we exercise to ensure that our buildings, plant and equipment never fall short of the highest standards of efficiency and the conservation of resources over the years enable us confidently to welcome decontrol of our flour-milling activities.

It must be borne in mind that for fourteen years the importation of wheat was conducted solely by the Government and that throughout that period the machinery of private trading, built up over generations, ceased to function. At present we are having to pay from six to six-and-a-half times the prices at which we were purchasing Canadian, Australian and Argentine wheats in the summer of 1939. Having regard to the large stocks of wheat in America and Canada and the high level of prices, millers naturally do not care to enter into heavy commitments, but, in order to ensure continuity of supply, they will have to hold fairly large stocks at prices in which they have little confidence.

I am pleased to say that the sales of Hovis flour are being maintained at a level greatly in excess of that of prewar days, and this is due in large measure to the consumer public's appreciation of the outstanding qualities of Hovis bread.

The report was adopted.

DOWTY EQUIPMENT LIMITED

FURTHER EXPANSION OF ACTIVITIES

MR G. H. DOWTY'S STATEMENT

The seventeenth annual general meeting of Dowty Equipment Limited was held on November 23rd at Cheltenham, Mr G. H. Dowty, FRAeS (chairman and managing director), presiding.

The following is an extract from his circulated statement:

This year, we have been able to record, once again, an increase in our activities—with rising turnover and profits. Although our Group sales have increased by 60 per cent over last year, our net profit has increased by only 33 per cent—and is equivalent to a meagre 3 per cent on sales. It is disheartening that so much of the financial gain is taken in taxation, leaving so little for future development and maintenance of assets in their full earning capacity.

Criticisms are frequently levelled against company profits, but successful companies make more than a substantial contribution to the country's welfare. Apart from the employment created, out of every £ profit made by our Group, taxation takes nearly 14s.; about 5s. is retained for purchasing capital equipment, developing of new products and for reserves to provide against future contingencies, and only 1s. 6d. goes in dividends to shareholders. Incidentally, in addition to the contribution by way of taxation, our efforts on export sales contribute also to the country's welfare.

Two strong features are our rapidly growing activities in industrial hydraulic equipment and our expanding interests overseas. During the year, additional factories have been opened in Canada, Australia and this country.

Our aircraft business has been affected to some extent by reduction in the aircraft programmes of certain types—but our output of aircraft equipment continues at a new peacetime high level.

A new factory for undertaking the reconditioning of our aircraft products has been opened at Tewkesbury, Gloucestershire, this year.

Development in landing gears and aircraft hydraulic equipment continues to keep this company in the forefront, and it is gratifying to record our contribution in equipment on the record-breaking "Hunter" and "Swift" and the growing utilisation of our products on aircraft of overseas design. Our export business is considerable and this year it represents 20 per cent of our home sales.

The statement then reviews in detail the widespread activities of the company's home and overseas subsidiaries, and continues:

The profit for the Group, before taxation, is £875,983—an increase of £315,972 over the previous year—but taxation at £582,796 requires an additional £246,598.

It is of interest to record that nearly 90 per cent of our increased profit was attributable to our commercial and overseas interests.

Having regard to the increase in the Group's profits for the year under review, it has been decided to recommend the payment of a final dividend of 12 per cent, free of income tax, making 22 per cent for the year—an increase of 2 per cent over last year. The balance on profit and loss account now stands at £807,086 and is regarded as a general reserve, the Group having continued its policy of not setting aside special reserves.

The report was adopted.

JOHANNESBURG CONSOLIDATED INVESTMENT COMPANY

(Incorporated in the Union of South Africa)

Extract from the speech of the chairman, Mr H. J. Joel, at the annual general meeting held in Johannesburg on November 24, 1953.

The balance sheet shows for the first time, the market value of quoted investments based on Stock Exchange values or directors' valuations and the total valuation, £12,865,851, shows a substantial appreciation as compared with the value adopted for balance sheet purposes, £8,687,229. Both valuations include an amount of £1,969,224 for holdings of shares and loan stock in Freddie's North Lease Area, Limited, and Freddie's South Lease Area, Limited, this valuation being lower than cost. The loans to these two companies at June 30, 1953, amounted to £4,100,000. This figure now stands at £5,150,000. It does seem to us at this stage that these mines will justify the hopes which have led us to invest such a large proportion of the company's funds in them.

The financing of these two mines to their present stage has depleted your company's liquid position to a point which calls for further cash resources. Your directors have decided, therefore, that it is necessary to augment the company's liquid resources by a sum of approximately £2,550,000. A preliminary announcement of a proposed issue of new shares to existing shareholders, in the proportion of one new share for three existing shares at a price of 40s. per share, has already appeared in the press.

The profit for the year was £2,088,239 compared with £1,444,237 last year. Dividend No. 61 of 3s. 6d. per share absorbed £380,187 and the balance of profit carried forward amounted to £311,496.

Although profits may not be maintained at the high level of those for the year to June 30, 1953, I am of the opinion that provided there is no major change in the general conditions affecting the company's varied interests, the present rate of dividend can be maintained on the proposed increased capital.

GOLD MINING INDUSTRY

At the present time two important developments are taking place in the gold mining industry in the Union of South Africa. I refer, firstly, to the fact that in the new goldfields in the Far West Rand, Klerksdorp and the Orange Free State, the preparatory work of many years is now beginning to show cumulative results, and, secondly, to the fact that the production of uranium by the gold mines of the industry has already commenced.

In the Orange Free State, published reports from the developing mines have disclosed values which, in general, have exceeded those which might have been expected from the results previously obtained in boreholes.

Five companies are already in production, and five others have stated in their published reports that they expect to have commenced production by the end of 1954. To October 31, 1953, the operating mines in the Free State had produced 570,591 ounces of gold to the value of £7,205,000.

In so far as the production of uranium is concerned, up to the present fifteen mines in the Transvaal and seven mines in the Orange Free State have announced their acceptance as potential uranium producers. Of these, three have announced the profits which have arisen from the current production of uranium, while a fourth has announced that the initial stages of production have been reached.

PETER BROTHERHOOD LIMITED

SATISFACTORY TRADING

The forty-sixth ordinary general meeting of Peter Brotherhood Limited was held on November 25th in London.

Mr A. M. Neal, JP, ACGI, AMICE (the chairman), in the course of his speech said: You will notice on the assets side of the balance sheet that as a result of the continuance of our policy of modernisation the value of the fixed assets has increased by approximately ten per cent during the year. Under current assets, you will note that the value of stores and work in progress has increased, compared with March 31, 1952, by £382,332.

In view of the tendency of cost of production to increase and in view of the amount of money extracted yearly by the Government in the form of taxation, I think you will agree that a cash balance of £115,199, together with tax reserve certificates to the value of £100,000, is satisfactory. The current liabilities amount to £540,402, against total current assets of £1,609,343, a surplus of current assets over current liabilities of £1,068,941.

The value of our sales for the year shows an increase of twenty-two per cent over last year's figure, while the net trading profit for the year, before provision for taxation, shows an increase of approximately nineteen per cent—£318,446 against £268,022. Of this trading profit of £318,446, the profit and loss account shows that provision for taxation absorbs the large sum of £179,900, against £157,000 in 1952, leaving us with a net profit for the year of £138,546.

DIVIDEND AND ALLOCATIONS

Provision for taxation made previously but now no longer required amounts to £5,326, bringing the total available net profit to £143,872, an increase over the comparable figure last year of £2,850. The question of a dividend has been considered by your board who have decided, in view of the satisfactory results, to recommend the payment of a final dividend of 13 per cent less tax, making with the 5 per cent less tax interim dividend already paid, a total for the year of 18 per cent less tax, on the ordinary capital which you will remember was doubled in March of this year.

We recommend the allocation of the sum of £51,942 to fixed asset replacement, which, with the sum of £98,058 we propose to transfer from excess profits tax postwar refund, will bring the total of this reserve to £400,000. We further recommend the placing of £50,000 to general reserve, bringing the total of this reserve to £150,000, and the addition of the balance of £2,516 to carry forward, increasing this item to £172,146.

As to the future, there is every indication that the trading results for the year ending March, 1954, will be no less satisfactory than those with which we are dealing today. The volume of work on our order book is some 8 per cent less than when I spoke to you last year, but it is sufficient to provide work at the present rate of output for from two to three years.

A fair proportion of the orders at present on our books are contracts for the defence services on which the margin of profit is somewhat narrow, but I see no reason, under all the circumstances, why, in the absence of troubles international or industrial, our shareholders should not look forward to a continuing period of prosperity.

In view of the accounts before you, I feel sure shareholders will agree that the result of the year's trading has been highly satisfactory. The report and accounts were unanimously adopted.

THE PERAK RIVER HYDRO-ELECTRIC POWER COMPANY

CONTINUED STEADY PROGRESS

The twenty-seventh annual general meeting of The Perak River Hydro-Electric Power Company, Limited, was held on November 26th in London, Mr Hugh G. Balfour (the chairman) presiding.

The following is an extract from his circulated statement:

The company has continued to make steady progress during the year, although conditions in Malaya, while improving, are by no means yet restored to normal.

The peak load on the system was 59,000 kW, as compared with 57,000 kW previously. The combined output from our power stations showed a small increase from 367 to 377 million units, although owing to reduced river flow the hydro station at Chenderoh only generated 201 million units, a decrease of 26 million units on the previous year. The steam stations at Malim Nawar and Batu Gajah were therefore more continuously loaded, and in consequence generated 25 per cent more units than during the previous year.

Although slow delivery of materials again somewhat delayed work on the installation of plant at Batu Gajah, to which I referred last year, the new oil-firing equipment and oil storage tank have been installed. The 80,000 lb per hour Babcock and Wilcox boiler should come into service during the current financial year. The other plant, consisting of three small turbo-alternator sets and boilers, with a total installed capacity of 6,000 kW, should also come into operation in the near future.

HIGHER OPERATING EXPENSES

Operating expenses were higher at £596,437, compared with £509,236 previously, the increase being largely due to the increased cost of labour and materials, and the more continuous working of the steam stations.

The operating balance is £788,753, to which has to be added the gross dividend from the subsidiary company, interest less exchange differences, and transfer fees, making a total of £811,817. After providing for London administrative expenses and directors' fees, the balance carried to net revenue account is £796,617. Our usual allocation to depreciation account requires £250,000, and taxation on the profits for the year is estimated at £387,500, so that the balance available for appropriation is £159,117.

The preference share dividend and the allocations to the general and contingency reserves thus total £98,594, leaving £60,523, out of which the directors recommend a dividend of 5 per cent plus a bonus of 1 per cent on the ordinary share capital, which requires £57,750 net. The available surplus on the company's operations for the year is therefore reduced to £2,773 which, with the amount of £103,403 brought in, result in a balance of £106,176 on net revenue account to be carried forward to the current financial year.

With regard to prospects for the current year, monthly returns to date are running at a satisfactory rate, and unless any serious setback occurs in the tin position, or unless general conditions in Malaya deteriorate in a manner which there seems to be no reason to expect at present, our next account should compare not unfavourably with the one now presented to members.

The report was adopted.

THE ANGLO-INDONESIAN PLANTATIONS

FACTORS AFFECTING TRADING

The forty-third annual general meeting of The Anglo-Indonesian Plantations, Limited, was held on November 24th in London, Mr G. C. Denham, CIE, CBE (chairman and managing director) presiding.

The following is an extract from his circulated statement:

We are, unfortunately, still having to contend with innumerable difficulties arising from the instability of Government, the constant changes in connection with taxation and the introduction of a large number of financial regulations which affect, almost from month to month, not only the compilation of our accounts, but the future outlook, which is inherently controlled by the accurate estimate of our costs.

Taking the general position in Java, it can be said that on the whole, despite improvements in certain conditions, we are definitely worse off than we were during the year 1952. The labour position is one of extreme difficulty owing to the never-ceasing demand for increased wages which must, if acceded to by the Government, eventually paralyse the planting industry in Java. There has recently been an award by the Government on an application by the Sarbupri, the union which controls nearly all the workers on the plantations, increasing wages by 50 sen a day and making the Lebaran payment of one month's extra pay a year a gift and not an advance to the workers. To this must be added an extra payment of 30 sen a day to subsidise further the rice purchased by our workers. The Estate Owners' Association in Java has appealed to the Government against the award, pointing out that with such wages it would become impossible to work many estates at a profit, and very few at a profit large enough to provide a reasonable dividend to the stockholders and to allow for ever-necessary capital expenditure. In our own case costs will, on the higher wage scale, be increased by something between Rp 8 million and Rp 10 million (£250,000 and £312,500) a year, with the result that unless there is a most remarkable upward swing in the prices of our products the earning of profits will be an almost impossible task.

NEED FOR REALISTIC POLICY

Indonesia requires a clear and steadfast economic policy which, once established, will enable plantation and other industries to work on an economical and profit-making basis, thus giving encouragement to the expansion of all agricultural industries, which is so vital for the welfare of Indonesia. Until some realistic and attractive policy is put forward by the Government, which mitigates the disabilities under which the plantation industry now works in Indonesia, that industry must inevitably decline and will never be revived by the injection of foreign capital.

We are the owners of what is still a wonderful property and we believe that, given reasonable facilities, there is a prosperous future before us. There will be many difficulties to overcome and probably numerous unpleasant surprises, but with our perseverance and with help from a Government which appreciates our position and the important part we share in the prosperity of Indonesia, a successful future should be assured.

The report was adopted and a final dividend of 2 per cent, making 5 per cent for the year, was approved.

TRINIDAD LEASEHOLDS LIMITED

MR SIMON J. VOS'S REVIEW

The annual general meeting of Trinidad Leaseholds Limited will be held in London on December 17, 1953. The following is extracted from the Chairman's statement circulated with the company's accounts for the year ended June 30, 1953.

Having regard to world conditions in general and the highly competitive state of the oil industry in particular, the results of the group's activities for the year give cause for satisfaction.

Although no extensive new crude oil reservoir was discovered, increased drilling led to extensions of proven territory at some of our oil fields in Trinidad. In consequence, production, potential and oil reserves improved.

Refinery throughput continued to rise, and the catalytic cracking and associated plants operated to capacity in the production of high grade products for the United Kingdom and other markets.

It is with great pleasure that I am able to inform stockholders of the outstanding success that the marketing of Regent Oil Company's premium brand "Regent TT" has had with the motoring public. Its quality is its best advertisement, and the motorist knows now he is buying a motor spirit which will give the very best results.

Once again I have to express our sincere appreciation of the support and co-operation which "Regent" has enjoyed from its ever-growing family of customers, both dealers and commercial consumers.

THE CEMENTATION COMPANY, LIMITED

CONTINUED PROGRESS

The annual general meeting of The Cementation Company, Limited, will be held in London on December 17th.

The following is an extract from the statement of the chairman, Mr A. R. Neelands, MC, circulated with the report and accounts for the year ended March 31, 1953:

The trading profit of £537,958, after writing off £242,509 for depreciation upon fixed assets, shows continued progress. Our satisfaction at the result is clouded by the large proportion of our earnings at home and abroad which has to be set aside for taxation—£394,808.

Those who read of the award of a major shaft sinking contract to a German firm may have wondered about it with some uneasiness. We take no umbrage for it is essential that the country should be supplied with an abundance of coal quickly. When the present pressure for new shafts is relieved to a point where it can be handled by British contractors, we assume that no further contracts will be placed abroad.

Last year we decided against placing further large orders at high cost with delayed delivery, having in mind the amount of plant on order, that plant would shortly start coming back from contracts in hand, and that by the time any plant ordered now was delivered the rush of shaft sinking would probably have abated, and it was unlikely that the extra profit, if any, earned over a comparatively short period would pay for such plant likely to become redundant thereafter. We believe a correct balance was maintained in our orderings between enterprise and caution.

JOHN I. THORNYCROFT & COMPANY

LARGER TRADING SURPLUS

The fifty-second annual general meeting of John I. Thornycroft & Company, Limited, was held on November 25th in London, Sir John E. Thornycroft, KBE, governing director and chairman, presiding.

The following is an extract from his circulated statement for the year to July 31, 1953:

The trading surplus of the group, after provision for depreciation and taxation, is slightly greater than in 1951/1952. From the accounts it will be seen that £511,319 has been brought back into the consolidated profit and loss account, being an over-provision for taxation in respect of previous years. Until agreement could be reached with the Inland Revenue in respect of exceptional depreciation, spreading of profits on long-term contracts, deferred repairs, and other adjustments and of the liability for United Kingdom tax on profits of the Brazilian and Argentine subsidiaries, it was necessary to retain adequate reserves. The position has now been agreed in respect of all these matters up to July 31, 1950, except with regard to the cash provided for Brazilian tax on bonus issues of shares by the Brazilian subsidiary, which is still under discussion.

1953/54: During the current year we do not expect to deliver any great value of ships, probably two tugs and five coastal sweepers, with an oil tanker for the Peruvian Navy and two frigates for HM Navy the following year.

The report was adopted.

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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 frequent competitive interviews. The Scientific posts are in various Government Departments and cover a wide range of fundamental and applied science. In most of the major fields of scientific research and development, individual vacancies exist at present for candidates who have specialised in biological, physical, chemical, or agricultural science. 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 qualification; or engineering) or in Mathematics, or an equivalent attainment. Candidates for Scientific posts, possess high professional attainments. Have had at least three years' post-graduate or other approved experience.

Age Limits: Senior Scientific Officers, between 26 and 31, but specially suitable candidates under 26 may be admitted. 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). Inclusive London Salary Scales: Senior Scientific Officers, men, £917-£1,075; women, £786-£949; Scientific Officers, men, £440-£512; women, £440-£507; Patent Examiner and Officers, men, £440-£512; women, £440-£507. Patent Examiner and Officers, men, £440-£512; women, £440-£507. Women's Patent Officer Classes, men, £440-£512; women, £440-£507. Women's Patent Officer Classes, men, £440-£512; women, £440-£507. Women's Patent Officer Classes, men, £440-£512; women, £440-£507.

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/S.128/53 for the other posts. Completed application forms to be returned on or before December 31, 1953.

UNITED PLANTERS' ASSOCIATION OF SOUTHERN INDIA. Headquarters Coonoor, Nilgiris Hills, S. India, with equable healthy climate, invites applications for the post of DEPUTY SECRETARY. The objects of the Association include those of an Employers' Federation as well as those of a Chamber of Commerce, for plantation problems. The gentleman selected will be appointed with a view to his later appointment as Secretary as soon as the Association considers practicable, but within five years from the date of his appointment.

A candidate must not be more than 45 years of age, must have considerable experience in industrial relations and negotiations with trade unions, and should preferably be either a chartered secretary or a member of the Institute of Personnel Management. Legal, or accountancy or statistical training will be a qualification for the appointment. Ability to speak or quickly learn one or more South Indian languages is important, but at present not essential.

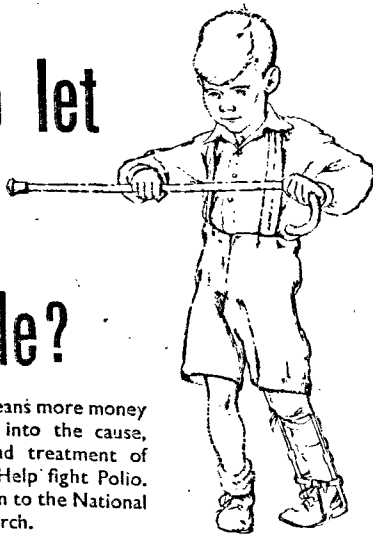
The salary proposed for a suitable candidate is Rs.1,600-80-2,000 per month, with dearness allowance of Rs.250 per month for a married man, with 10 per cent contributory provident fund, 10 per cent house allowance, or a furnished rent-free house, a servant allowance of Rs.105 per month and free medical attention, in accordance with the rules of the association for executive staff. In addition, there will be an overseas allowance of 25 per cent of basic pay if the candidate has an overseas domicile. The salary scale will be revised if and when the candidate is appointed as secretary.

Six months' leave, on pay, will be granted at 31 years' service, and return passages (including those of wife and children in India) will be paid by the association.

After allowing for the standard of living, cost of living and taxation in India, candidates from outside India may take it that for this appointment, in terms of expenditure, one rupee is roughly equivalent to one shilling in the UK.

Applications, giving details of the candidate's experience and qualifications, age, family, recreations, and accompanied by not more than three testimonials or names of persons of standing, to whom reference may be made, must be addressed to The Secretary, Upasi, Coonoor, so as to reach him not later than December 31, 1953.

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Applications are invited for a Research post in ECONOMICS. Applicants should be men with a good Honours degree in Economics and preferably a knowledge of Accounting and Statistics. The appointments will be for about 21 months from January, 1954. Salary £500-£550 p.a. Applications, stating academic qualifications, experience and any special research interests, with the names of two referees, should reach the Registrar, The University, Birmingham, 15, not later than December 5.

C. G. BURTON, Secretary.

BBC requires Talks Producer in Home Sound Broadcasting to be concerned with talks and discussions on economics and international finance. He should be able to keep abreast of developments in this field, initiating and planning relevant broadcasts with outside contributors, carrying out preparatory work and production at the microphone. Wide interests and high level of general education up to university level essential, also first-hand knowledge of economics and fiscal matters generally. Legal or journalistic training and experience, competence in writing or editing scripted material and interest in broadcasting as a means of discussing present-day problems would be useful. Appointment on grade with salary £795 rising by 5 annual increments to £1,065 or £1,000 rising to £1,330 per annum, according to qualifications. Applications to Appointments Officer, Broadcasting House, London, W.1, marked "113 Econ." within a week. For acknowledgment please enclose stamped addressed envelope.

PRODUCE OFFICER required by the NIGERIAN GOVERNMENT MARKETING AND EXPORTS for 18 to 24 months in first instance. Salary, etc., according to experience, in scale £807 rising to £1,631 a year. Gratuity of £100 or £150 a year. Outfit allowance £60. Free passages for Officer and wife. Assistance towards the cost of children's passages or grant up to £150 annually for maintenance in United Kingdom. Liberal leave on full salary. Candidates under 40, must have a University Degree in Commerce, Economics or Agriculture, and should possess administrative ability. Experience of inspection and grading of agricultural products an advantage.—Write to the Crown Agents, 4 Millbank, London, S.W.1. State age, name, in block letters, full qualifications and experience and quote M3C/33943/EN.

LIFE ASSURANCE COMPANY in Mauritius requires assistant to General Manager. Age 35 or under. Experience of Life Office work and Insurance Company pension schemes essential. Good salary and allowances, free house and passages. Contributory pension and widows' and orphans' scheme.

Further particulars from W. H. Clough, Empire House, St. Martins le Grand, London, E.C.1.

STATISTICIAN/ECONOMIST with market research experience required to take charge of small market research and statistics department. Salary in accordance with qualifications and experience. —Applications, including outline of experience, should be addressed to Box 385.

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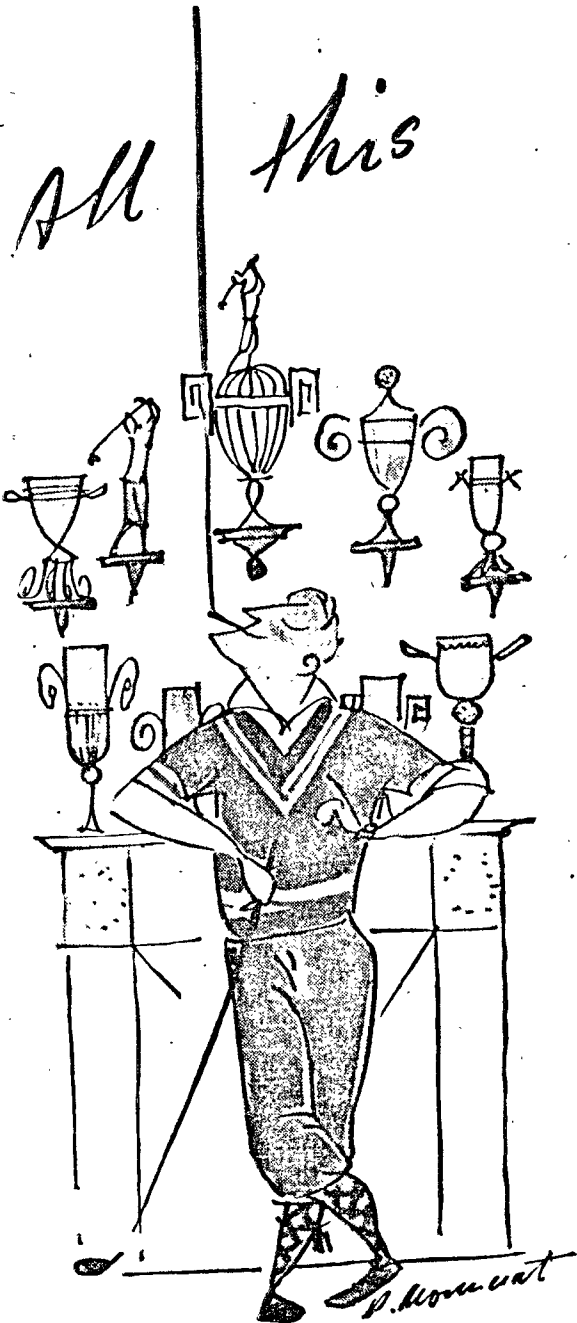
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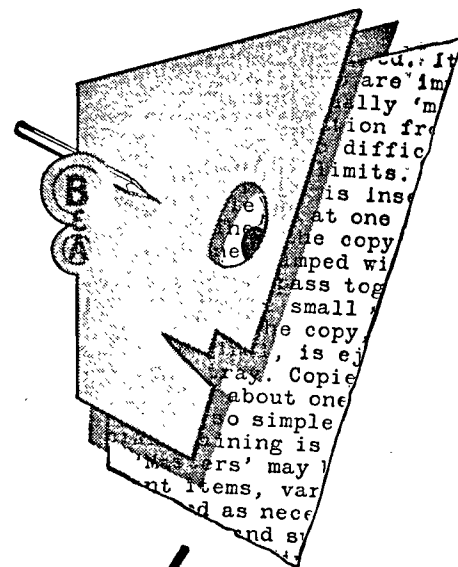
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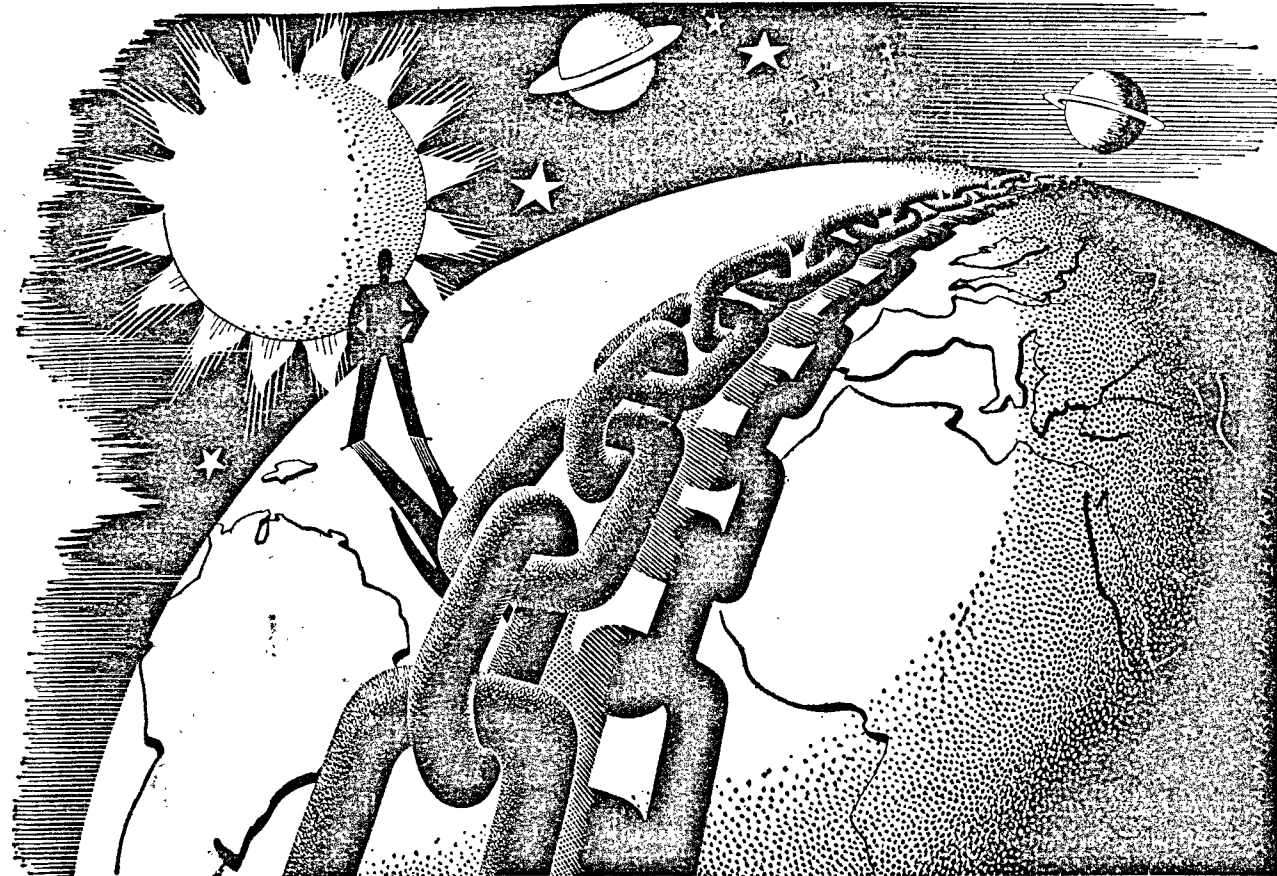
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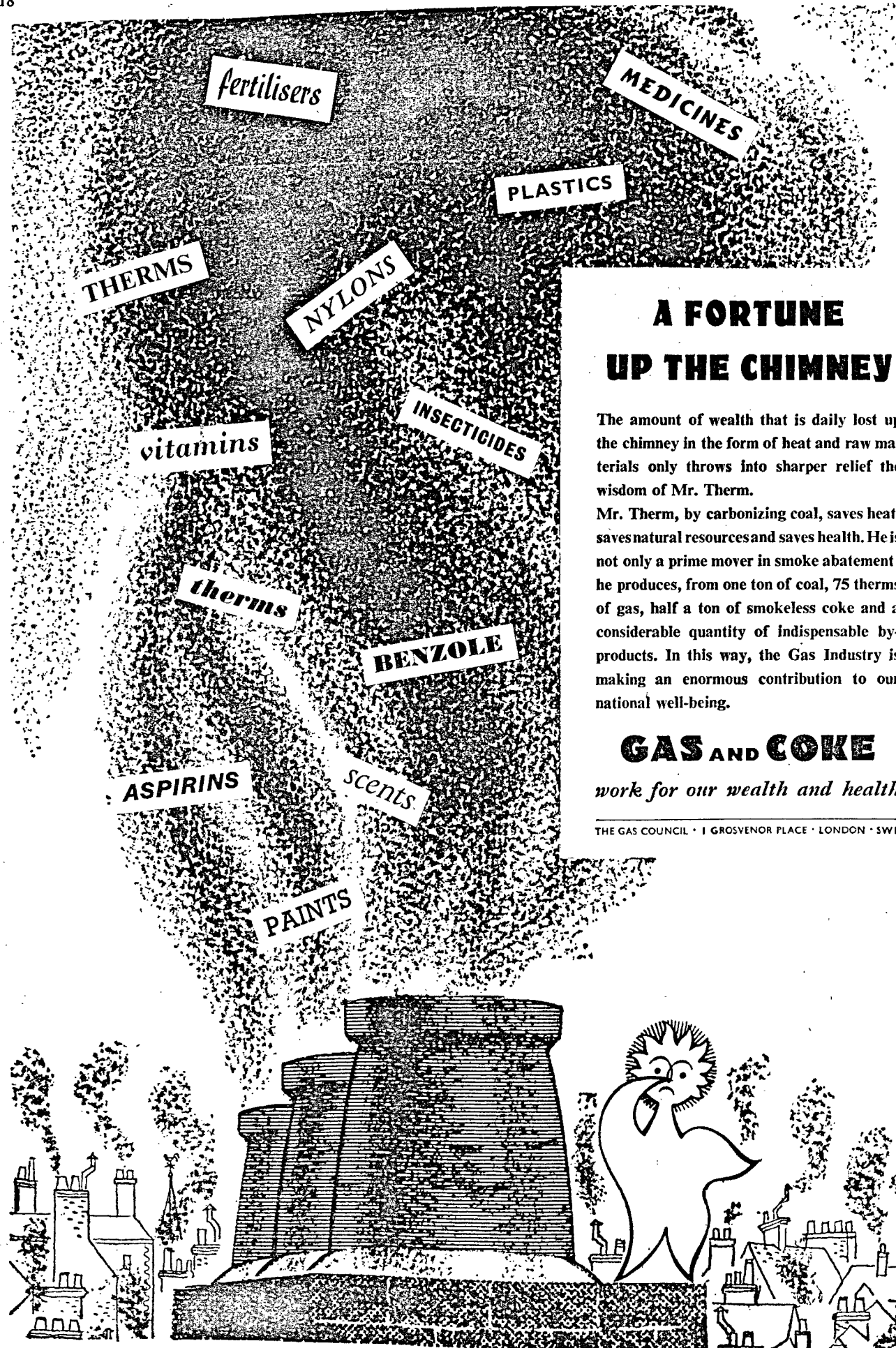
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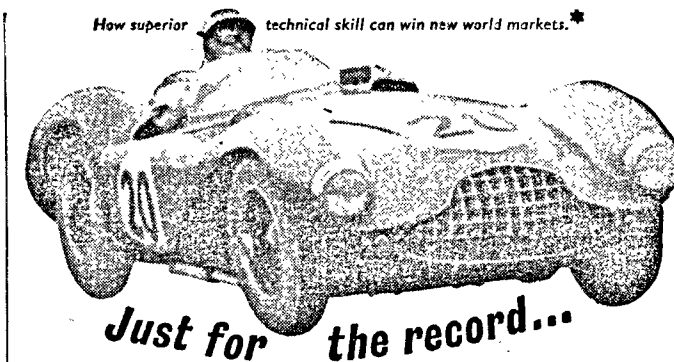
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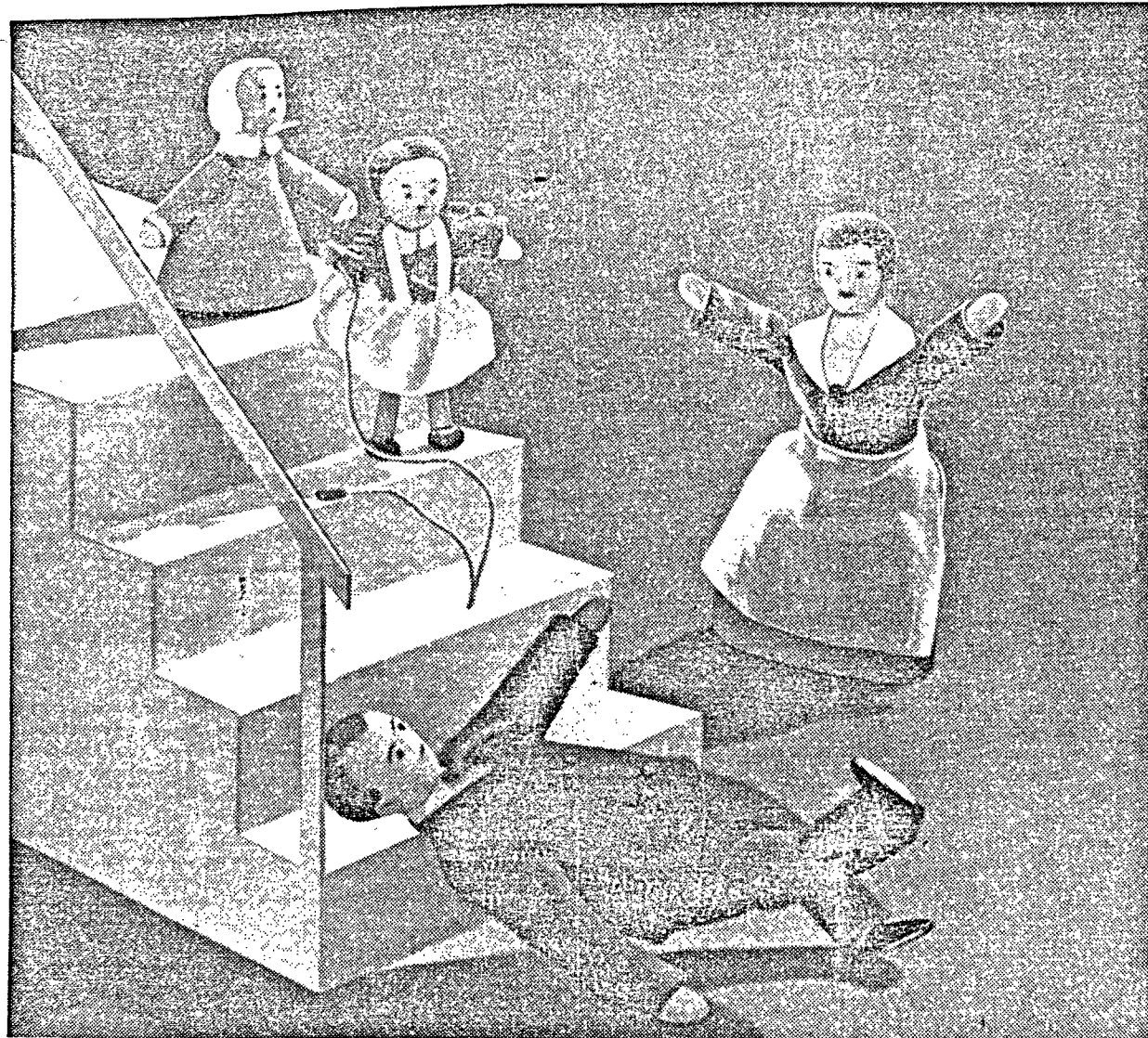
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Out-Manœuvred

BETWEEN Lugano last October and Berlin next January there is a world of difference: that, perhaps, is the best brief comment on the latest Soviet Note, which arrived just in time to provide the *pièce de résistance* for the Bermuda table. Lugano, as proposed by the West and ignored by the Russians, was to have been a fresh start on the specific problems of Germany and Austria. Detailed negotiation was to create confidence between the powers by making possible limited agreement. Berlin, as proposed by the Russians—and presumably to be accepted by the West—seems likely to mark an old-fashioned start on the limitless problems of what the Soviet Note repeatedly calls "reducing international tension everywhere." What is suggested is not only a change of place and method but also a reversal of roles. For when the West was weak the Russians insisted on getting down to brass tacks and avoiding global issues; but now that the West is strong they spurn the brass tacks and point to a vista of broad contention and green cloth. Washington, London and Paris have been out-manœuvred, Note by Note—let there be no mistake about that. And the various pawns advanced in the Churchill gambit have all been taken by the Russians without any obvious gain to the West.

Not everyone, of course, sees it like that. Indeed, the general reaction, in this country at least, has been one of satisfaction, as at a clear advance made towards the objective of a firmly based peace. So indeed it would be, if the Russian willingness to confer had been accompanied by any sign of a willingness to meet the western powers half way on the substance of the matters at issue. But of any such sign the latest Soviet Note is innocent—unless it be one to insist on the presence of Communist China after the meeting opens and not before. It is the purest wishful thinking to suppose that the invitation to Berlin is anything more than a tactical move in support of a main position which is utterly unchanged. The immediate Soviet tactic is to delay, and the strategy is to divide. The hope is that, so long as the Berlin conference is impending or in session, the French National Assembly will stubbornly refuse to ratify the treaties that would simultaneously create the defence community, give independence to Dr Adenauer's Germany and complete the strategic dispositions first laid down when General Eisenhower was Supreme Commander in Europe. This is the objective for the early months of 1954 and if it can be attained, then the further hope of the Kremlin is that the loss of impetus behind western policy, political disagreements, economic depression and the Communists' own skilful wooing of anti-German feeling will disintegrate the Atlantic alliance and leave a divided Germany to make one day what terms it can with Russia.

The evidence of this policy is writ large in the last Soviet Note. Here Moscow is claiming to speak for Europe against America and Germany. Peace, it says, can be achieved by "agreements between all the states of Europe irrespective of their social systems." Such

arrangements "must be based on earlier commitments agreed by the countries concerned" and not on any plan, such as the EDC, that will set Western against Eastern Europe. In other words: Europe is to build its own security system under Soviet patronage; the East European system of treaties directed against German aggression is to be extended westwards; and the basis for such a system lies in the Franco-Soviet Treaty, the Anglo-Soviet Treaty, and the Potsdam agreements. Here is Moscow's counter to Sir Winston's hints of a new system of security guarantees to reassure the Soviet government. It points to the old ones that already exist.

What have these instruments in common and what is their essential characteristic? It is the undertaking to prevent a revival of the German militarism in which, Moscow insists, lies the only danger of war. The West, therefore, faces not only blank opposition to the whole conception of the European Defence Community (designed, among other things, to prevent misuse of military power by Germany) but an alternative plan for curbing German power. And that in turn implies a deal at the expense of Germany between the Russians and such allies as can be lured out of the Atlantic camp. If that is not the letter it is at least the spirit of the Potsdam four-power policy of 1945-7 which was first tried and first failed in Berlin. To judge from recent Soviet Notes, what Molotov is aiming at is no less than a Soviet Monroe doctrine for the whole continent of Europe.

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The bid to Berlin will have to be accepted. After all the hopes that have been aroused since the death of Stalin, the western governments dare not reject it, even if they all three wished to. But it ought to be perfectly clear to any thinking person that the compulsion to accept it, and to waste weeks and months in Berlin, while all the projects of western policy are either completely held up or at the best limp tentatively forward, is a setback for the West. Every day that the meeting lasts will add to their discomfiture.

Since this is the penalty of being out-manœuvred, it is important to understand how it has happened. The fault does not lie with the professional diplomatists on the western side, but with the state of public opinion and with the failure of the politicians to lead it aright. So much silly nonsense has been talked in America, with so little correction from the President, and Senator McCarthy has been so successful in silencing the voices of moderation and wisdom, that Europe has almost begun to believe the Communist thesis that the Americans are more dangerous than the Russians. British public opinion, always dangerously addicted to sentimental wishfulness, has been positively encouraged by the Prime Minister to believe that there is a quick and easy issue out of all its afflictions if only President Eisenhower would go to Moscow. And in France the deputies have listened all

too eagerly to their ancestral fears of Germany without any politician having both the strength and (until very recent weeks) the courage to make them face facts. The State Department, the Foreign Office and the Quai d'Orsay have all seen the dangers; but each has had to act with a hand tied behind it. The Americans dared not appear "weak"; the British were compelled to press for a meeting which they knew would do no good; and the French could neither advance the policy of European integration they themselves initiated nor propound any coherent alternative. Such are the fruits of democracy when public opinion is left leaderless. The wonder is that the Russians, with neither allies nor public opinion to consult, have had to wait until December to score their first clear diplomatic victory.

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It would be wrong to strike too tragic a note. It is only a tactical defeat for the West, which can be turned to advantage if its lessons are learned. The precondition is, of course, that it should be recognised as a setback, and even that will not be too easy, so general is the belief in the virtues of talk for its own sake, so little realisation is there of the dangers of delay.

The next requirement is to limit as far as possible the time that is to be wasted. Some time, unfortunately, will have to be conceded—not because there really is any hope of the Russians offering any concessions (why should they when they are doing so nicely?), but because there are so many millions of people who believe there is and who will have to be at least partially de-bamboozled before they will accept a breakdown without blaming Mr Dulles. The dangers of waiting will be the less if the French can be persuaded not to postpone all decision until after the Berlin conference has dragged its long life out. Possibly if a vote on EDC is forced in Paris before the conference has failed it will be adverse. But the position is very nearly reached where even an adverse vote will be preferable to no decision at all.

Perhaps the most important lesson of all to be learnt is that public opinion cannot be left leaderless without danger. If it is left to believe that Molotov has a song in his heart, then the British and French Foreign Ministers will feel bound to give him more than a reasonable amount of time to reveal what it is, whatever Mr Dulles may feel. If, on the other hand, it is pointed out firmly and repeatedly that the Soviet Union has already integrated, subdued and rearmed Eastern Europe and that the Allies ask for nothing more than the integration of the Atlantic half which is divided, thinks for itself and is only half-armed, then some sense of proportion may be restored to public expectation. An eventual compromise between the two conceptions is possible; but only if the Soviet Union is ready to compromise. Of that there is still no sure sign; and without such a sign the proposed journey to Berlin can be regarded only as a retreat.

Pandora's Housing Box

THE House of Commons on Tuesday gave a second reading to the Housing Repairs and Rents Bill. In the two days' debate the Government had an easy task defending its Bill against an Opposition which, while eager to exploit the political passions which any measure concerning rents is bound to produce, could not decide on its line of attack. Mr Bevan's original view that landlords are getting no more than a "mouldy old turnip,"—in other words, an incentive that is quite inadequate to prod them into action—was disputed by those who pretend to see in the Bill a powerful instrument of landlords' extortions. The latter had become the authorised version on the hustings of Holborn and Paddington. Labour has shown no remedy of its own for the problems of rent restriction, short of the extreme and remote step of bringing all controlled property into municipal ownership; and on this issue the fiery orthodoxy of Mr Bevan appeared to be at odds with the cautious doubts of Mr Morrison about the wisdom of municipalising even slum property, which the Bill proposes. Many Labour speakers therefore contented themselves with variations on the familiar theme of the original sin of private landlords.

The real tests of the Government's proposals are twofold. The immediate, short-range test is whether they will enable a more effective use to be made of the nation's large stock of old and decaying dwellings. The broader, long-term test is whether they will clear the ground for a rational solution of the tangled and linked problems of rent control and housing subsidies. The weakness of the debate was that little was said on the wider issue. Neither party seems willing, where housing is concerned, to look more than a year or two ahead.

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The Government's attempt to stop the decay of rent-controlled houses is certainly on the right lines. It seeks to utilise both private and public enterprise in appropriate cases and to differentiate between those houses which can reasonably be repaired or renovated and those which must be demolished as soon as is practicable. The former will remain the responsibility of private landlords, aided in some cases by public improvement grants; the latter are intended to be acquired and maintained pending demolition by the local authorities. To the extent that private landlords fail to maintain their houses in a fit condition, they will lose them eventually to the municipal pool. This policy should, on paper, do much to refurbish the existing stock of houses, and in so doing it will reduce the present extravagant demands for new houses.

The main doubt is whether the Bill provides the means, either to private landlords or to local authorities,

for making the scheme a success. Mr Macmillan gave some figures which indicate how he hopes the scheme will work. He estimates that of 7½ million rented dwellings in Britain, 5 million or so are still in a reasonably good condition and will be rescued by the Bill from falling into bad repair. Another million or so houses will have to be pulled down as beyond repair; and the most that can be hoped for the remaining million-odd dwellings is that landlords will be induced, by the threat of compulsory acquisition, to make them at least fit for human habitation.

The Minister is thus relying chiefly on the inducements that the scheme provides for private landlords. His estimate of their response seems optimistic. The permitted increase in controlled rents will on the average be barely sufficient (if that) to cover the extra annual cost of repairs, as estimated by the Girdwood Committee. Many of even the "reasonably good" houses have a backlog of repairs which the landlords, in principle quite rightly, have to make good at their own expense before being entitled to put up the rent. The Minister hopes that in such cases the owner will bear the cost, in order to preserve the capital value of his property or, alternatively, that he will be fired to action by the threat of public acquisition. It is doubtful whether this will be enough; and since it seems to be agreed that the proposed increase of rent is, save for exceptional cases, well within the tenant's ability to pay, it might be wiser to give landlords a rather greater financial inducement—subject to proper safeguards.

There are two safeguards in the Bill for securing that rents will not be increased unless repairs are properly executed. Before raising the rent the landlord must demonstrate that he has spent a stipulated minimum on repairs, and the tenant may apply at any time for a certificate of disrepair from the local authority which entitles him to withhold the extra rent. Many Labour speakers regarded these safeguards as inadequate. Mr Bevan argued that the onus ought to be on the landlord in the first place to get a certificate of good repair from the local sanitary inspector. Since local authorities are generally short of staff, this would create delays in getting repairs started—and would thus defeat the Bill's first purpose. Another Labour suggestion is that the landlord's statement of expenditure should be open to challenge before the rent tribunal, but questions of fraudulent mis-statement are properly referred (as the Bill provides) to the ordinary courts. The Bill's safeguards should be adequate provided the local authorities are reasonably alert.

The local authorities have the important but essentially subsidiary task of dealing with dwellings that are beyond redemption by private landlords. In this case the Government clearly is not supplying sufficient

inducement. In some cities the slum clearance programme will take twenty or more years, so that many dwellings need a considerable amount of temporary renovation if they are to be made at all tolerable. The average cost of such renovations in the Birmingham scheme, which the Minister is taking as his model, has been £195 a house, a much larger sum than can be recovered from increases in the rents of such poor property.

The proposed Exchequer grants will cover no more than half the cost of the temporary upkeep of slum property, and they are so constructed that apparently the longer the slums stay up the less the ratepayers will lose. This is not enough to encourage councils to take on a task which, as Mr Morrison was quick to point out, may be politically embarrassing. So far from there being any risk of the Bill's creating the "municipal slum monopoly" which Mr Morrison dislikes—but which represents the only apparent way of tackling an urgent social problem—the Minister will have to reconsider his financial offer (as he has promised to do) if he is to get co-operation from the local authorities in this important phase of his programme. He should also realise the importance of linking slum clearance more

Parliamentary Reform

In the matter of Parliamentary Reform, a Minister is at the present moment peculiarly liable to be led into error. He is more or less so in all projects of legislation involving innovation. Those who desire a change, ask for it, work for it, clamour for it: those who are satisfied with things as they are, remain silent from pure content. The *rémuant* party are active: the conservative party are quiescent. Those who *want*, petition and agitate: those who want nothing (but the status quo), simply do nothing. Those who believe that Ministers agree with them and will act as they would wish, abstain from bothering them: those who are of a different way of thinking, bring to bear upon them every engine of influence and opportunity which they can possibly put in action. So, to a certain extent, it will be in this case. . . . A great change has come over the feelings of the country on the subject of Representative Reform. . . . The wishes, shibboleths, and banners of ten years ago are not those of to-day. The old formulas may still be used, but they have lost their spirit and their meaning. The old creeds are still professed, but people no longer believe in them. The old war cries are still shouted, but they no longer stir the hearts of the people as with the sound of a trumpet. The ballot has still many advocates and many voters; but it has far fewer fanatics and devotees than formerly. The extension of the suffrage is still desired, but we have learned to distinguish between a *lowering* and an *extension*. As for minor points which of old occupied so prominent a place among Radical demands—abolition of property qualification, "manhood" or "complete" suffrage, payment of members, shorter parliaments, etc.—they have all vanished into thin air. A sober senator, with a reputation to lose, would as soon think of wearing a pig-tail as advocating these now. Times are changed, and we have changed with them. The Radical reformers were in the ascendant formerly: the philosophical and conservative reformers are in the ascendant now.

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effectively—and more remuneratively—with the broader tasks of urban redevelopment.

But if the velocity is uncertain, the direction of the Government's measures is right enough. The only other way of improving the condition of old houses—the Labour recipe of wholesale municipalisation—is quite impracticable as an immediate solution, whatever its theoretical merits or demerits. Quite apart from its enormous initial cost (put by Sir David Eccles at £3,000 million), it would throw an impossible administrative and financial load on the local authorities, whose resources will be strained to the utmost if they are to cope properly with unfit dwellings, and they would probably feel bound to subsidise improvements to old houses, in order to give the tenants some parity with the favoured residents of new estates.

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The eventual goals of Government policy remain obscure. Ministers certainly have not recognised the folly of an extravagant programme of building new houses at public expense. Mr Enoch Powell, in a sensible speech, pointed out that the Opposition's proposals would place the building industry everywhere under subsidised contracts—for repairs, for improvements, and for new construction; and this is the classic prescription for destroying the efficiency of any industry. What he failed to add was that the Government's policy runs the danger of treading the same primrose path. The present Bill provides grants for both private owners and local authorities, grants which may well have to be increased if they are to function effectively. At the same time, the Government is paying out enormous sums to subsidise new construction, and has now pledged itself to maintain the rate of new building at 300,000 houses a year. The new programme is apparently to be superimposed on the old one, instead of partly replacing it.

The nation cannot afford to subsidise both new and old houses on the present vast scale. To do so will not only inflate building costs and deflate (still further) building efficiency. It will also, by swelling the demand for housing, divert more resources into house building than the nation can properly afford, or than it needs to afford in the conditions of a falling birth-rate. On the Macmillan policy, as it has emerged to date, an inflated boom in building will be followed one day by a sudden slump; and the building industry will encounter at last the realities of a subsidised inefficiency. Pandora's box will then stand empty.

The alternative is not municipalisation; it is to stop subsidising, on generous terms, the bulk of new housing. The slum dwellers have a legitimate and pressing claim for public aid, but the general shortage of housing can and should be removed by the joint effect of unsubsidised new construction and a rational recasting of rents. Nothing said in this week's debate makes the present Bill look like more than a first instalment in this process.

At Marxist Mercy

THE United Nations Assembly has now been presented with a documented record of atrocities committed by the Communists during the Korean war. As the fighting has been stopped, and patient efforts are being made to bring the Chinese to some sort of settlement in Korea, voices have inevitably been raised in complaint that this is not the time to lay such unappetising facts before the world. It is true that no Assembly resolution will bring back to life the prisoners of war, the priests and nuns, and the nameless men, women and children who were starved, bludgeoned or cut to death in Communist-held Korea during the long campaign. It is also true that some South Koreans committed atrocities as savage as those now described. Yet there is no reason to suppose that the Peking Government's attitude in negotiation, already one of arrogance and unconcern, will become more intransigent as a result of these revelations.

But these are secondary considerations. The essence of the matter is that the United Nations cannot suppress the record of the suffering of its own soldiers and of those whom it fought to defend. Moreover, Uno did the Communists' specious allegations of germ warfare the honour of taking them seriously, offering investigations—which were refused—and providing a platform for Soviet accusations—which were refuted. It cannot accept demands for silence about crimes the evidence of which is clear and convincing.

The prisoners of war freed by the Communists in the exchanges that ended in September have now come home and told their stories, and the picture that emerges when those stories are pieced together is one unique in the history of modern war between nations. Their gaolers subjected these prisoners to pressures of a kind that certainly neither British nor American soldiers had ever encountered before. For them, the war was by no means over when their captivity began; captivity meant nothing less than a long struggle between prisoner and gaolers for men's minds.

In this struggle, the Communists used almost every conceivable tactic, from extreme brutality to a rather nauseating form of *bonhomie*. They were not consistent. One prisoner might get away with a degree of mental resistance for which another would be ruthlessly punished. But this inconsistency was not intentional; it arose simply from the fact that even in three years the Chinese did not succeed in finally systematising their methods. This fact suffices to explain many of the apparent contradictions between the stories told by individual prisoners. Some were lucky enough to be in minor camps where the local command was too inept to persevere with the prescribed techniques; others felt the full force of the Chinese master plan.

Four main stages may be distinguished. The unfortunate captured in the Communist blitzkriegs of 1950 underwent the worst physical suffering. With few

exceptions, the North Koreans, who in those early months were in charge of the prison camps and staged the notorious forced marches to the north, treated their captives with animal callousness. Those who survived to pass into Chinese hands found, for the most part, that this meant improved physical conditions. But this second stage also introduced them to mental pressures which the North Koreans had not attempted to apply. At first, however, the Chinese made the mistake of handling UN prisoners just as they had handled prisoners taken in their own civil war; but British and American soldiers were not easily affected by forms of indoctrination designed for illiterate peasants.

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Only gradually were the Chinese able to evolve more ingenious techniques, and this third stage of highly organised mental pressure was never extended to all camps. But the framework for it was provided by very thorough segregation. Officers and sergeants had been segregated from the start, and by degrees junior NCOs and private soldiers who openly displayed mental resistance were also removed to "reactionary" camps and compounds. Prisoners taken in the later stages of the campaign were also sent to join the "reactionaries," for it was clear that their fresh minds and possession of recent news would dispel the clouds of propaganda in which the other camps had been enveloped. The way was thus made clear for small bands of collaborators to set themselves up as "camp leaders" and to carry on the indoctrination.

In its fully developed forms, this indoctrination laid a very severe strain on a man's powers of mental resistance. The main emphasis was not on doctrinaire Communism, but on the virtues of "peaceful" China and the sins of the "imperialists," who had started the Korean war and were now preventing the prisoners from going home. The prisoners were not only cut off from all news from untainted sources; they were also subjected, by loudspeakers, wallsheets, and supplies of the *Daily Worker* from London and New York, to incessant and ingenious presentation of Communist views and Communist-doctored facts—and for three years they had nothing else to read or think about. They were further confused by being made to hear their comrades read out dictated "confessions" and pæans of praise for the Chinese; these statements were often the price a man had to pay to be released from months of solitary confinement in a dark box four or five feet high. Such punishments were inflicted not only for attempts to escape, but for alleged "insincerity" or a "hostile attitude." Cant phrases of this kind dominated the Chinese tactics. Prisoners were given to understand that their mere survival depended on Mao Tse-tung's

"lenient policy." They were "asked" or "urged" to sign petitions or fawning addresses to Mao, and found that to refuse meant punishment. The same hypocrisy marked the refusal of permission for the one surviving chaplain to visit the sick; he was blandly told that prayer could not cure them. But the heights of charlatanry were only reached in the fourth and final phase of the captivity, when the Chinese, foreseeing an early exchange of prisoners, began deliberately to feed them better, and even sent quite healthy men across with the first parties of sick and wounded, in order to create a favourable impression.

That relatively few of the UN prisoners were noticeably influenced by the Communist methods is inspiring evidence of the strength of the human spirit. But it

Mischief and Conspiracy

ONE of the larger criminal trials of the year has been the prosecution of six men and two limited companies for offences arising out of the regulations that governed the sale of decorated pottery. Under the Domestic Pottery (Manufacture and Supply) Order of 1947, decorated pottery was reserved for the export market, and those ordering it from manufacturers and wholesalers were required to declare that the goods were destined for overseas. The men prosecuted were found to have built up and operated for a considerable time a widespread organisation for the diversion of decorated pottery to the domestic market; the total value of the goods they abstracted from the export market, so it was alleged, was some £70,000. Normally (if that word may be used of regulations nominally temporary) the regulations themselves lay down penalties for their breach. These did not. Accordingly, the men were charged with "a conspiracy to effect public mischief." They were found guilty and sentenced, and now the conviction has been confirmed on appeal. The offence of "public mischief" remains, therefore, very much alive.

The words "public mischief" are a sugary coating to a dubious proposition; they are also something of a will of the wisp. It is easy enough to say that it is wrong that men should take advantage of the rules of austerity to their own profit, by providing no more than a minority of fortunate buyers in this country with decorated tea-cups intended to grace the tables of Sydney or San Francisco. They should have laboured instead to fill the Bank of England with dollars. They should be punished, the argument naturally goes on, and if the Board of Trade forgot to lay down a penalty in the regulations themselves, are not the Courts to be congratulated on their decision to step in and take a hand? That is the sugar coating. But if one goes beyond it, the next question is: "What is public mischief?" There is the morass, for to that question there neither is nor can be a clear answer.

must not be thought that this macabre episode can now be forgotten. It is bound to be repeated, perhaps on a larger scale, if another Communist aggression produces another Korea; and if that happens, the technique will doubtless be more advanced. It certainly cannot be countered merely by such amendments to military law regarding the conduct required of prisoners as have lately been proposed by a Select Committee, although these amendments would help a prisoner to understand his responsibilities more clearly. The only effective defence against these mental pressures would be to ensure that, in any future war that takes the form of collective resistance to aggression, each soldier should know clearly what is at stake and what he is fighting for. This, it must be said, was not done in Korea.

In the year 1801, a Mr Higgins was charged with the offence of public mischief because he was alleged to have incited a servant to steal twist to the value of three shillings from his master. When the High Court considered his case on appeal, Mr Justice Lawrence said: "All offences of a public nature, that is, all such acts or attempts as tend to the prejudice of the community, are indictable." In 1905, Mr H. N. Brailsford was charged with the same offence because he was alleged to have conspired with another man to obtain a passport to visit Russia, made out in one name but used by someone else who had blown himself up with a bomb in his hotel in St Petersburg, as it then was. In 1932, a Miss Elizabeth Manley falsely told some officers of the Metropolitan Police that she had been robbed, thus causing them to spend some time in searching for the non-existent assailant. She was bound over on a charge of public mischief and the Court of Criminal Appeal, again, confirmed the sentence.

The last in the series is the pottery case, and in that the Lord Chief Justice, in the course of his judgment, said: "Whether the matter is looked at . . . as a conspiracy by dishonest devices to defeat the clear intentions and purpose of an Act of Parliament or to work to the prejudice of the state, they disclose offences which have long been known to the criminal law of this country." All of which is true enough, but of no assistance at all in defining the offence of "public mischief." May not the offence apply to any set of circumstances of which the executive disapproves, provided it is able to convince the Courts that the state is "prejudiced" by what has been done? The door that opens there leads to a particularly unpleasant swamp.

There is no reason to cry that executive and judiciary are prepared to accommodate each other in the suppression of any course of action that the state finds inconvenient. But punishable activities should, almost

by definition, consist of deliberately intended acts which have previously been forbidden by law, either by the common law from time immemorial, or by the express terms of some statute; and the crime of "public mischief" cannot fall within that definition. When Mr Brailsford, Miss Manley and the gentlemen engaged in distributing decorated pottery within the United Kingdom set out on their various activities, no policeman could have pointed to anything anywhere which said in black and white: "If you do this, you will be guilty of a crime."

It is the pottery case that is the most disturbing. The substance of the charge against the accused was not any form of fraudulent dealing with any individual, seller or buyer. The suppliers were paid; the ultimate purchasers, for whatever reason, were presumably delighted with their flower-ridden tea-dishes. The substance of the crime was the loss of the dollar earnings, the damage inflicted on the community by a weakening of the country's financial strength. That was real enough, but where, logically, does that crime end? It is not necessary to bring out the bogey of the totalitarian state (where, of course, the offence of public mischief is number one on the calendar). There are examples nearer home. The leaders of the engineering and ship-building unions on Wednesday caused their members not to work, many of them in establishments known to be occupied with contracts for overseas buyers. That also is a weakening of the country's financial strength. It is not a crime because it is done in furtherance of a trade dispute, and no one would seriously propose to alter the law on this point. But what exactly is the difference in morals between this case and that of the dealers in decorated pottery? There is a difference, but the concept of "public mischief" is hardly a satisfactory way of giving legal expression to it.

The Courts themselves are not unaware of the dilemma. The Lord Chief Justice drew attention to it in the pottery case. He said that the criminal offence of public mischief might, if extended, "enable judges to declare new offences, which should be the business of the legislature," and it is fair to say that the Court of Criminal Appeal showed a strong desire to draw back from the socially dangerous position that it could foresee. For instance, the Court was clearly of the opinion that the decision that punished Miss Manley for setting the police off on a wild goose chase was bad. That was the kind of action which could be declared a separate offence by Act of Parliament, and, the Lord Chief Justice said, actions by a single individual should only be indictable if they amounted to something that had already been held to be an offence by the common law or was declared to be one by Act of Parliament. On the other hand, the Court defended the conviction in the pottery case by saying that the crime of conspiracy was one already well known.

It is true that the offence of conspiracy has long been

recognised; that is not to say that its definition is much clearer than that of public mischief. A conspiracy to do an act which is itself a crime is easy enough to understand, but under the decided cases an act which is lawful when done by one man can become unlawful if done by two or more in combination. The heyday of this crime was a century ago, for then trade union activity was challenged on this very ground. When trade unions were given their statutory exemption from common law consequences, this particular aspect of criminal conspiracies ceased to have much importance or to receive much public attention. The essence of the crime is the presence of a wrong motive, and that is unsatisfactory because of the uncertainty that must exist in this borderland between dubious motives and unlawful actions.

★

The risk now is that the charge of criminal conspiracy to effect public mischief might once more become fashionable. Suppose, for example, that some future Board of Trade inquiry into share dealings did disclose that a number of gentlemen had spread false rumours about a possible buyer of a company, and by doing so had created a "take-over" boom in the company's shares. The state would have lost nothing by what they did. Could it be that the rather tenuous link between the rumours and the losses of some individual who bought for a rise, and who burnt his fingers in the end, would be strong enough to support a criminal charge? Many would say that, morally, the rumour-monger was at least as reprehensible as the dealer in decorated pottery. The next step is to say: "If that isn't a crime, it ought to be." The fatally easy step, then, is to take the short cut of a charge of "public mischief," instead of considering how the Companies Act (or the rules of the Stock Exchanges) can be strengthened. Laws should punish actions considered to be wrong. They should also be certain in their terms. It is not good enough for the public authorities to say of any activity of which they disapprove: "This must be public mischief," when Parliament is there to debate and decide whether it should be a crime.

It would be an exaggerated reaction to raise a cry that Parliament must take action at once for the liberties of the subject are under immediate threat. But there is a lurking danger. In the pottery case the crime was that the defendants defied official economic policy. Is it utterly impossible that under some future Government a charge of public mischief might not lie against, say, the directors of a company that opposed Government policy as did Tate and Lyle, Ltd., in its "Mr Cube" campaign? So wide a concept inevitably makes such dangers to civil liberties possible. The Lord Chancellors of the postwar period have, fortunately, been men who have not hesitated to appoint committees to enquire into fields of law or procedure where there was perhaps no more than some disquiet. There is a case now for the appointment of a committee of enquiry into the common law crimes of conspiracy and public mischief.

Notes of the Week

The Engineers' Next Step

THE engineers have had their strike and the militant among them are presumably feeling better, though not richer. The strike was quiet and virtually complete, but there is no reason to suppose that the employers are greatly impressed. The loss to the nation will no doubt turn out to have been heavy, but it will be something less than a whole day's engineering production. The piece workers will undoubtedly do their best to make up for it by working harder and recovering as soon as possible the wages they have lost. The time-workers, who include the lower paid members of the general unions, will have no such opportunity—as their leaders have pointed out with some bitterness. The strike has left them poorer by a day's pay and no nearer than they would otherwise have been to the 15 per cent rise in wages that they seek.

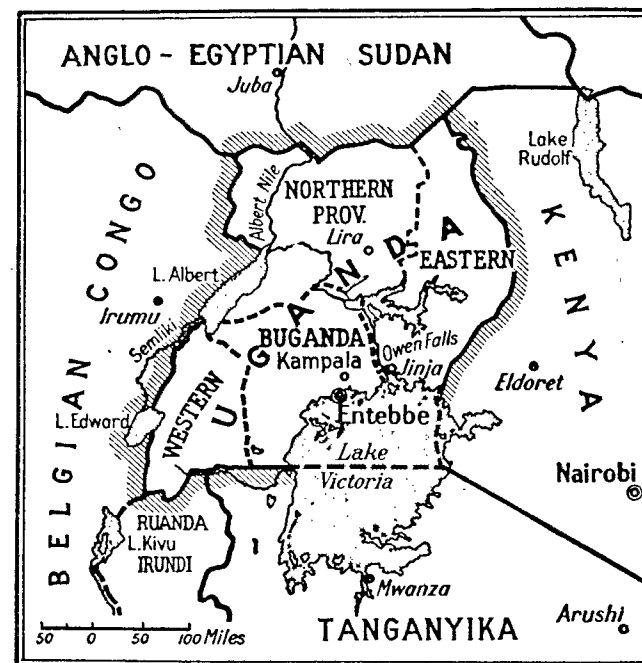
At this, the moment of frustration, Mr Tom Williamson, the general secretary of the National Union of General and Municipal Workers, suggested that the time had come to ask the engineers themselves to decide by ballot "the next logical stage in pursuance of the wages claim." Mr Williamson also suggested that they ought to vote either for a strike or else for the reference of the whole dispute to arbitration. He rejected as useless the one-day stoppage, a ban on overtime or a ban on piece work; they would not, he argued with some justice, make any effective contribution to the pressing of the claim.

It remains to be seen whether the Confederation of Ship-building and Engineering Unions, which could so easily be influenced by Communists, will heed Mr Williamson's advice instead. The assembled executives of the 39 unions that comprise the confederation previously rejected arbitration in favour of Wednesday's strike. But now that the strike has happened and has made no difference, it is possible that the confederation itself will realise that there is indeed only one "next logical stage in pursuance of the wages claim." The engineers would almost certainly gain something by referring their dispute to arbitration; another strike or an overtime ban would bring them nothing.

Ruler Deposed

IT was only natural that the House of Commons should have received with shocked surprise the news of the deposition of Mutesa II, the Kabaka of Buganda. There has, it is true, been trouble in this province of Uganda before—for instance, in 1945 and in 1949. But then the British were supporting the Kabaka and his regime, and the Kabaka himself relied upon the Agreement of 1900 with the British—which by his non-co-operation he has now

broken—to counter the demands made upon him by the left wing malcontents in 1949. This makes his present attitude towards the Government all the harder to understand and the shock of his deposition all the greater. Mr Lyttelton's ill-advised but extremely vague after-dinner remark last June about East African federation cannot provide the whole explanation, for reassurances were sent to the Kabaka at least as explicit as those given on earlier occasions, and the Kabaka accepted them. Moreover, there can be little serious doubt that the Kabaka's demand that Buganda should be separated from the rest of Uganda as an independent state would jeopardise the peace and pros-



perity of the Baganda people. As recently as March he had declared jointly with the Governor that Buganda would go forward as a component part of the whole protectorate. Why, then, have relations between him and the Uganda government suddenly turned sour? Is there some personal reason for it which has not yet been told? Or has the affair a wider aspect: is it another symptom of the intense suspicion of Britain that is vitiating good relations with Africans all over the continent?

These real questions make it most unfortunate that the debate in the House of Commons on Wednesday provided a classic example of how not to conduct the business of opposition. Although some of the evidence as to what happened in the Opposition camp is conflicting, it is quite certain that before the debate began a motion of censure on the Government's handling of affairs in Africa was drawn up. Presumably the Opposition banked on Mr Lyttelton's reputation for being the worst parliamentarian

in the Cabinet, but he has a knack of rising to an occasion and this time he did it so effectively as temporarily to stun the Opposition into silence. Over the vacillations which followed on the Opposition's side, it is kinder to draw a veil.

There was really no need for the Opposition to put itself in this embarrassing position. It could have justified a critical motion on colonial affairs in general without committing itself to emotional criticism of the deposition before it had absorbed the facts of the case. Mr James Griffiths's combination of sentiment and political opportunism on colonial matters has served his party ill and has probably killed any chance of making next week's debate on the revived censure motion constructive.

Bermuda, Backbenchers and Egypt

SIR WINSTON CHURCHILL and Mr Eden left for Bermuda unencumbered by any last-minute advice from the House of Commons. On the whole ministers must have been very thankful to have been able to parry the Opposition requests for a debate on foreign affairs before the Bermuda conference. On both sides of the House opinions about the main foreign issues are decidedly fluid and uncertain, and a debate could scarcely have strengthened the Prime Minister's hand and might have caused him some embarrassment. There is at least a hope that the diplomatic situation will be a little clearer by the time Sir Winston gets back from Bermuda, when an early debate will be unavoidable.

Although the requests for a debate were made by Mr Attlee in person, he accepted the Government's refusal with marked docility, and later it became clear that the real driving force came from the Bevanites. Unable to state their views in debate, they tabled a long motion and managed to persuade a few middle-of-the-road men such as Mr Strachey to join them. It was their misfortune that the motion was published on the same evening that the Russians agreed to a meeting of Foreign Ministers, for the gist of the Bevanite message was that the Western Powers had misinterpreted the earlier Russian Note and so were squandering a chance of a meeting. As it is, the Russian agreement to confer gives the Prime Minister a political as well as a diplomatic breathing space. The Labour leaders, already imbued with a healthy respect for Sir Winston's ability to seize the political initiative on foreign affairs, are likely to be more cautious in what they urge the Government to do.

But Sir Winston's political anxieties are far from confined to the Opposition. The outcome of the Sudan elections, confirming all the woeful prophecies of that group of Conservative backbenchers who opposed the Sudan settlement, has sharply stiffened resistance on the Conservative benches to any pact over the Suez base on the lines now under discussion. One protesting memorandum has already passed from the back benches to 10, Downing Street and another may well follow. Sir Winston has assured the 1922 committee that the Government would not give way on the issues of "re-activation" and uniforms for technicians, but he may return from Bermuda to find that even a firm stand on these points would not satisfy some of his supporters. Egyptian behaviour in the Sudan elections has intensified all the latent mistrust on the Conservative benches of any settlement that would depend on Egyptian good faith.

An Eisenhower Pledge?

IF Washington reports of President Eisenhower's intentions towards the European Defence Community are accurate, the British Government may find itself embarrassed by its own attitude to French anxieties. (They can hardly be called demands, for the French Government has not yet asked in London the plain question, "Will you undertake not to reduce your land forces in Europe unless the EDC governments accept your reasons for wishing to do so?") It is said that the American President might give France a personal guarantee that American troops will be kept in Europe at present strength so long as the French have to fight in Indo-China—provided that the EDC Treaty is ratified in the Assembly. If Mr Eisenhower does this, he should kill two birds with one stone: first, the argument that France cannot maintain parity in a defence community with Germany so long as it is fighting overseas; secondly, the rumour started from Washington that the growing production of tactical atomic weapons would make possible an early reduction of American forces in Europe.

He would startle, if not hit, a third bird which is periodically released from Downing Street. This is the perfectly sound argument that Britain should never accept on the Continent a commitment in which the United States does not to some degree share. For here is the President slightly outbidding the British; and it will be interesting to see what the effect in Bermuda on Sir Winston and his advisers will be. If they insist that they cannot pledge the permanent presence of four British divisions in Europe, why cannot they point to the virtual certainty that the air defence of this country will be permanently based on the airfields and warning system of Western Europe? Why cannot there be a clear political commitment where there is such a clear strategic interest? It is a matter in which British policy has been made to appear small-minded and grudging. Yet the situation calls for a political act by this country that will strike the imagination of the perplexed French people. Cannot someone explain this to Sir Winston, vexed though he is with France?

Laniel's Pyrrhic Victory

AFTER his narrow escape in the foreign affairs debate, M. Laniel, the French premier, must be wondering whether the limited mandate he has received is better than no mandate at all. True, the government has survived for a few more weeks, and MM. Laniel and Bidault are in Bermuda. But there they cannot assert that the French Assembly is now pledged to back the treaty for the EDC. They will have, instead, to warn their partners of the great care that must be taken if the plant of Europe is not to be trampled to death in the lobbies of *Palais Bourbon*. The orthodox Gaullists came to the government's rescue at the last moment only because they thought that the myth of solid French support for EDC was sufficiently exploded, and it was not politically worth while to bring down the moribund cabinet at an inopportune moment. Thereupon

the Gaullists, those avowed opponents of "parliamentarism," used the old-fashioned parliamentary trick of dividing their votes.

This makes even more complicated the calculation of parliamentary forces for and against the treaty. The following table, showing the final vote on the government's motion

FINAL VOTE ON GOVERNMENT'S MOTION			
	For	Against	Abstained
Communists	...	100	...
Socialists	...	105	...
Radicals	43	20	11
Christian Democrats (MRP)	83	3	2
URAS*	14	5	60
Peasant and Independent	87	3	9
Total (including others)	275	244	103

*Union des Republicains d'Action Sociale (orthodox Gaullists)

in support of the idea of European union, does not give a complete picture. If the real test came, most Gaullists would vote against, while over two-thirds of the Socialists are in favour of EDC. By opposing the motion they expressed their lack of confidence in the present government rather than opposition to European integration.

If foreign policy could be separated from domestic entanglements, a narrow majority for EDC could probably be mustered in the French Chamber. But the debate has shown above all the gap between the alignments on the home and on the foreign front. In the last twenty months the issue was shirked by merely ignoring foreign affairs; but now it has to be faced. Once the presidential election is over, a new cabinet must be formed, and the majority supporting it should have an agreed and common foreign policy. If no such majority can be found, then the French electors should be called upon to decide.

The Tangle of the Saar

At the end of the inconclusive conference in The Hague last week on the European Political Community, M. Bidault and Dr Adenauer discussed the problem of the Saar territory. A satisfactory agreement on this remains one of the conditions on which the French insist before they will ratify the EDC Treaty. How far the German Chancellor could or would go to meet them is unlikely to be known until he can feel certain that a government in Paris, having been promised satisfaction on the Saar, would then be able to secure the ratification. France's reputation for piling condition on condition is now notorious.

In an article on page 755, a Paris correspondent recalls the typical French views on this matter. To this account should be added a factor which is at once obscure, highly important for Germany, and yet seldom mentioned. German steelworks in the Saar (producing over two million tons a year) have been treated by the French rather as the Russians "settled" the question of key plants in ex-enemy countries of Eastern Europe. Under the inter-allied reparations agreements, the French claim that they could have dismantled large quantities of equipment from these

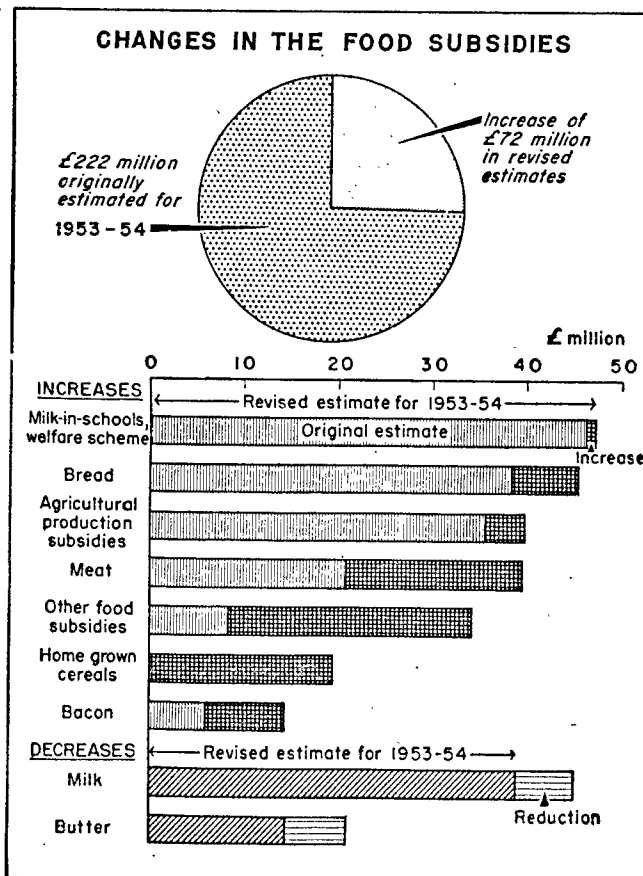
works; instead, they left them intact and took the value of the equipment in the form of shares. The French Government now holds 60 per cent of the shares in the Völklingen works, the largest in the territory, and 40 per cent of the Röchling and Neunkirchen plants. All steel-works, except those owned by foreigners or Saarlanders, were placed under a French trustee, but no one knows on whose behalf he is acting as regards the former German percentage of holdings.

The future of these French Government holdings remains obscure. The obvious solution, that they should be sold to French steel companies, has been considered; but it would not be easy to find the large sums required. This aspect of the Saar tangle must be examined if Dr Adenauer is to find ways of cutting through it in a way that both French and German opinion will accept.

Cheap Food—

THE Minister of Food did not have much trouble with the Opposition when he explained, on Wednesday, how it was that his department needed another £127 million over and above its original estimate for this financial year. The Labour speakers were as uncertain as ever what line to take.

Some of the extra expenditure arose from the buying in of stocks to make derationing possible. Mr Lloyd George admitted that he had perhaps over-insured in the case of grain, and was left with £5 million worth of stocks that he had expected to be sold by now. But this was a small



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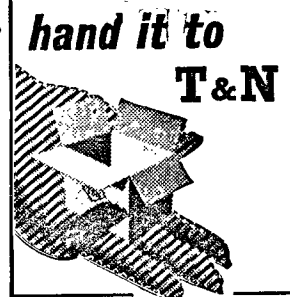
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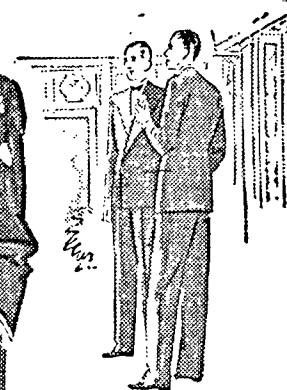
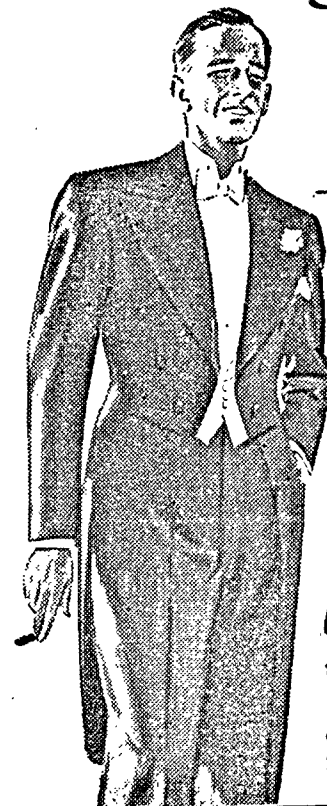
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matter. More important, some prices had been cut to induce the consumers to buy. Home produced pork had cost an extra £18 million in this way, and bacon £13 million, in spite of the profit on imported supplies. Eggs had cost £3 million more than the estimate, in order to save the consumer from the arrival of the tenpenny egg, about which so many Labour warnings were sounded. An extra £20 million was needed to buy home grown grain now that the guaranteed price was above the world price, and £5 million had gone to the potato growers, because their yield had been 7 per cent higher than the average.

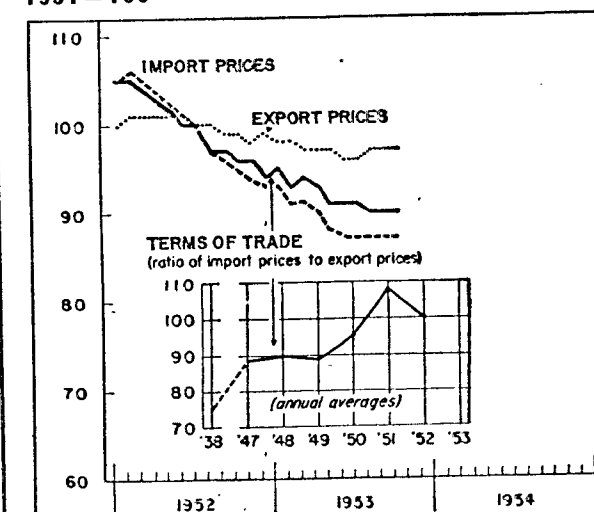
And so on. Labour speakers hardly had the nerve, in the face of these facts, to trot out the only policy they seem to have for food—namely that subsidies should be redoubled to keep the cost of living where it was two years ago. They could only arraign the Minister as a muddler and an incompetent for thinking that it was possible to support the farmer and yet to save money. That is hardly helpful when the Opposition will not push the point to its logical conclusion. In essentials, its policy and the Government's are the same: both are willing to spend more on subsidies—the Government's increases are shown in the chart—in order to keep the consumer tolerably contented, while encouraging and protecting high-cost production on British farms.

—Dear Food

THE Government has this week increased the import duties on a variety of fruit and vegetables. The National Farmers' Union has thus at last gained a substantial measure of the extra protection for British market gardeners and fruit growers that it has been requesting since 1950. It may gain more, since some of the cases submitted to the Board of Trade are still under examination.

The present increases apply to eighteen horticultural products, including tomatoes, cauliflower, new potatoes,

UK TERMS OF TRADE
1951 = 100



peas, carrots, cherries and strawberries. In many cases the seasonal rate of duty, applying when the crop concerned is plentiful, has been at least doubled. For gooseberries the increase is from ½d. to 2d. a lb; for strawberries the former rate of 1½d. a lb in the second half of June and 3d. a lb in July is increased to a uniform rate of 6d. a lb for most of June and July. For tomatoes the rate of duty is doubled and at the same time the period of high protection is extended; for some other crops it is shortened. Such changes have been made possible by the waiver which the other members of the General Agreement on Tariffs and Trade reluctantly permitted, enabling margins of preference to be widened in certain circumstances. In fact, since the crops concerned are insignificant in Commonwealth trade, these higher duties will give no particular satisfaction to the Tories who cherish Imperial Preference. They are a major concession to the agricultural protectionism that is nowadays perhaps even closer to the party's heart.

It is true that imports have hitherto been restricted by quantitative regulations, as well as the relatively low duties, and that therefore on balance the higher duties may not make the British market much more protected than it already was. Indeed, they are in principle a less offensive method of restriction. But at least some tinge of the temporary expedient clung to quotas, whereas with higher duties the Government has firmly committed itself to the policy of dear food in Britain in order that the present number of British market gardeners may go on growing tomatoes uneconomically in hot-houses. Transport costs still give the home producer of fresh fruit and vegetables a considerable measure of natural protection from European competition; if he needs in addition duties like 4d. a lb on such unluxurious foods as tomatoes and cherries, the country is certainly paying dearly to support an uneconomic industry.

Law and Order in Kenya

ON Tuesday, forty-four Kikuyu, who had been sentenced to death for their alleged share in the Lari massacre last March, had their convictions and sentences quashed by the East African Court of Appeal. This proof that British justice still prevails in Kenya is doubly welcome; for the court's judgment was given shortly after the court-martial of Captain Griffiths had brought to light facts that seriously disturbed confidence in British methods of restoring order.

Captain Griffiths was acquitted of the charge of murdering an African. But the accounts of the shooting of wounded Africans and of the competition between battalions in the number of "kills" they could claim have very rightly disgusted public opinion. No one will pretend that the campaign against Mau Mau can be conducted as a police operation against civilians. But, however horrible the terrorists' own acts, they do not excuse the attitude towards suspected Kikuyu shown up at the court-martial. General Erskine's declared determination to put an end to such episodes among British troops will be wholeheartedly supported.

On another occasion, General Erskine said that the cam-

paing against Mau Mau would not be won by bullets alone. His words have now been echoed by Mr Blundell, leader of the Europeans, whose recent policy statement is presumably being discussed by the Governor of Kenya on his latest visit to this country. Constitutional changes cannot be carried out while the emergency still exists—in fact as well as in law. One more trusted and intelligent African leader, a city councillor of Nairobi, has just been murdered, which still further reduces the number capable of taking the greater share in Kenya's government envisaged for Africans by Mr Blundell. But it would be a considerable advance if agreement on constitutional changes can be reached in the meantime, when the emergency is bringing forth new and progressive ideas among the leaders of all races.

Berlin Without Reuter

IF Berlin proves to be the site of the four-power conference, the Foreign Ministers will be meeting in the one place where it seems impossible to maintain the division of Germany indefinitely. In Lugano, and even in Bonn, the *status quo* does not appear too bad to endure; in Berlin, everything points to the need for this isolated capital to have its hinterland restored. This is still true, in spite of the considerable economic improvement that has steadily been achieved since intensive American aid started in 1950.

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The index of industrial production in the western sector of the city has now risen to 70, taking 1936 as 100, thanks to a big spurt in building. But in Western Germany, the comparable figure is 170; and Berlin, in spite of a decrease in unemployment—all the greater because so many refugees from the Soviet area have been absorbed—still has 200,000 on the dole. If the city is to remain divided, its future depends on many factors, chief among them being the willingness of Congress to vote further funds, the ability of the Federal German government to spend more than the present DM.1,000 million a year in subsidies, and an increase in orders from West German businessmen.

The loss of Berlin's great Lord Mayor, Ernst Reuter, is irreparable. Under him Berlin roused a sense of national pride which offset the resentment or indifference which West Germans tend to feel when they are asked to help the city. It was also an example of co-operation between Conservatives and Socialists. Now it is a cockpit of party politics. The Christian-Democrats govern in a coalition with the Free Democrats, and the Socialists are in opposition under Herr Neumann, an uncompromising politician of the Schumacher school. Immense harm may be done to the western cause in Berlin if the Socialists rouse the workers to make demands that the economy cannot stand, and attack the government in terms that might be used by the Communists. It is a bad sign when the leading Socialist newspaper in Berlin, edited by a brave anti-Communist, declaims that in Bonn "nothing is being done for the victims of the war, but everything for a new army." When the fronts are confused in this way the enemy can, and will, infiltrate.

Next Stage in the Sudan

IN the eyes of Cairo the elections in the Sudan have been a clear victory for Egypt. The National Unionist Party, which Egypt had openly supported, has won 44 out of 92 seats contested. Five more remain to be contested on December 10th, and if the National Unionists win all these, they will have a clear majority in the House of Representatives. Even without these seats they would still stand a good chance of getting a majority, as the various successful independents are having second thoughts about party allegiances. The National Unionists are therefore right in the middle of the stage.

They will now be on trial for a transitional period, for the recent elections were only the first of two bites at the cherry. The issue of union with Egypt or independence will not be finally settled until after fresh elections for a Constituent Assembly at the end of the transitional period in about three years' time. Then the Sudan will be asked to confirm or reverse last month's apparent verdict in favour of union with Egypt. Its answer will depend very much on how the National Unionists acquit themselves in positions of influence and responsibility, and how far their Egyptian supporters remain in the background and manage to conceal the fact that they are interested in the Sudan only for what they can get out of it. If the National Unionists fail to measure up to the opportunities thrust upon them, if the cupboard quality of Egypt's affections becomes too obvious, or if a horde of carpet-baggers descends from the north, the NUP vote might melt away

beyond hope of repurchase. On the other hand, as an article on page 752 shows, the victorious party may prove much less docile than its backers in Cairo anticipate.

There is also the special problem of the Nilotic pagans of the southern provinces, racially and religiously distinct from the Arabised Moslem majority in the north, and culturally backward. There are, in fact, inside the Sudan the main ingredients of a classic colonial problem of a kind which has plagued more experienced politicians than the new men in Khartoum. It will be important but not easy for the dominant north to avoid alienating the southern provinces, which contain more than a quarter of the total population of the country.

Fewer Troops Round Trieste

ALTHOUGH the Trieste dispute is far from settled, this week has seen a slight progress. In a speech last Sunday, Marshal Tito made new proposals about an international conference. He was firm in his rejection of a meeting which would merely assemble in order to hand Zone A over to Italy; but he held out an olive branch by declaring that he would withdraw troops from the zone frontier if Italy made the first move, and by repeating his statement that he no longer claims the city of Trieste itself, since its population is predominantly Italian. This recognition of fact in respect of the city was coupled, however, with the equally firm assertion that the villages in the rest of Zone A are Slovene; and those he said, could in no circumstances go to Italy. If these conditions could be met, he added, he would be glad to represent Yugoslavia in person at a conference.

The offer to withdraw troops met with a quick and favourable response in Rome. Signor Pella asserted that this was what he had originally proposed himself, and he accepted in principle the Yugoslav claim that, since the Italians had been the first to move regular forces up to the frontier, they should make the first move in pulling them back again. This rather unexpected spirit of conciliation should lead to a definite lowering of the temperature in and around Trieste itself. And since the Yugoslav threat to march in was the factor which made the crisis urgent in the first place, these withdrawals at least open the way to the possibility of a peaceful settlement. Every effort should now be made to see that they are in fact carried out. Once they have been, there should be a chance of following up with the preliminary meeting of officials which it has lately been proposed should precede any attempt to call a conference of ministers. The measure of the problem, however, may be gauged by the fact that, in spite of Marshal Tito's olive branch, the leaders in Rome and Belgrade are still too far apart to speak to each other except through third parties.

Delegated Legislation

AT first sight the report of the Select Committee on delegated legislation, published this week, seems comparable with some new models of cars; the bonnet is

altered, a gadget is added here and there, and the basic design of engine and chassis remains as before. The committee was appointed nearly a year ago, held seventeen meetings and received evidence from many distinguished people in Parliament and the Civil Service. The changes it recommends in the present procedure are no more than a slight extension in the time during which a prayer to annul an item of delegated legislation—an Order or other statutory instrument—may be put down, and also in the period available for debate on the prayer, plus a recommendation that the existing Scrutiny Committee of the House should be appointed more promptly at the start of each session. To those who regard the whole apparatus of delegated legislation with deep suspicion these proposals will seem like adding no more than a touch of paint to a particularly repulsive instrument of torture.

That attitude is unhelpful. Broadly speaking, about 70 per cent of all statutory instruments either need an affirmative resolution of Parliament to become effective or may be challenged by any member within 40 days of their creation. In addition, all are considered by the Scrutiny Committee and it is the duty of the committee to draw the attention of the House to any which, again broadly speaking, depart too widely from the general run. In seven years the Scrutiny Committee has examined 6,900 instruments and drawn the attention of the House to 93 of them. The Select Committee believes that the Scrutiny Committee, simply because it exists, has made government departments think more carefully of the rules and conventions to which they should conform.

The Select Committee was concerned to secure a proper balance in all the work that the House, as at present constituted, must undertake, and in those circumstances it is really impossible to say that the committee's recommendations could have gone much further. In Parliament today, the government governs and the members of both Houses comment on the way the government governs. No government could govern without a plentiful use of statutory instruments, and the committee seems to be reasonably satisfied that the opportunities for comment are adequate; they could be increased, the committee would probably say, only at too great a cost to the actual process of government itself. Perhaps there is too much government, but it would be unfair to criticise a Select Committee of the House for not saying that.

Newer Look at Dartmouth

Two things stand out from the Admiralty's announcement last week that Dartmouth cadets are henceforth to be recruited only at the age of 18. The first is that all three services are now in line (apart from the Army's small new scheme at Wellbeck College). Secondly, this has been a victory for the educationists over both the Admiralty and the left-wing politicians. Henceforth the education of a future officer will continue uninterrupted, in a civilian atmosphere, until he is through the sixth form. He will then go to Dartmouth, Cranwell or Sandhurst at about eighteen. Whether his parents will be able to get maintenance allowances to tide over the expensive years between 16 and 18 has not yet been decided. But if the Air Force

thought it necessary to bridge this gap, as was announced a few weeks ago, then it seems highly probable that the Navy will think so too.

The controversies that have raged over Dartmouth since the hey-day of the Labour Government have been complex. It was then considered that entry at the convenient pre-school age of 13, coupled with a special entry at 18, was highly prejudicial to the grammar school child; in an attempt to overcome this unfairness and to get more cadets, the entry at 13 was abolished in 1948 and replaced by entry at 16. This was opposed by the educationists but in fact worked better than its opponents had predicted, even though the proportion of public school entrants still remained embarrassingly large. About 14 per cent of the vacancies remained unfilled, however, despite a lowering of the qualifying standard.

This was rightly regarded as extremely serious; the Navy depends on a small officer cadre. The committee that reviewed the situation most carefully last May produced a compromise proposal for recruitment at all three possible ages—13, 16, and 18—with 60 per cent of the places at 13 reserved for boys from grant-aided schools, because they cannot then compete on equal terms with the prep-school boy. Much though their Lordships would like to "catch 'em young," this 60 per cent cannot have been easy to swallow, while a full-blooded return to recruitment at 13 would have been extremely difficult. It will never be possible to say whether the old scheme produced such good naval officers because of the system or because boys of good quality chose the Navy, but there is no clear reason why recruitment at 18 should fail to instil the same *esprit de corps* and in modern conditions it may well appeal to more promising boys.

Right Way for Wales

THE Government has declined to provide an extra £60 million for developing the Welsh countryside over the next twelve years. This is the substance of the White Paper* published last week in reply to the proposals for rural development put forward some months ago by the Council for Wales and Monmouthshire. Although the council feels that it has been treated with scant courtesy, and claims that some of its arguments have been misinterpreted, the Government has made the right decision.

The council thought it right to spend government money on making the countryside more pleasant and profitable, and it suggested a new development corporation to administer the funds. It was not quite clear from the report whether the suggested £60 million (over twelve years) was to be over and above the funds already provided. The Government's case is that far more than £5 million a year is already being spent on housing, water supplies, drains, roads and agricultural subsidies, and that the local authorities are quite competent to look after their own development plans without a special new authority. The local housing record is already better than that of some comparable English areas (though there is, admittedly, much leeway to make up); and the Government asserts that there is every chance

* Cmd. 9014. 6d.

of more houses being built over the twelve-year period than the council contemplated in its report. Other amenities are also being provided as fast, the White Paper argues, as limitations on capital investment will allow.

The master thought behind the council's request for larger subsidies was, probably, that the local authorities feel themselves too poor to continue to shoulder their present part of the costs. To this the Government replies that the best course is not to provide higher benefits for Wales at the expense of other areas, perhaps equally deserving, elsewhere; it is to increase the revenues of the local councils as the countryside becomes more prosperous. Farming is, and will remain, the basis of the rural economy. The council's way of increasing farm prosperity is, amongst other measures, to provide special loans at low interest rates to hill farmers. But the artificial incentives to farmers of marginal land are already high. It may be that further heavy capital expenditure on Welsh farms is still needed and justified, but the Government has very sensibly decided on a full investigation of the possibilities before promising any financial favours except in the most general terms.

A Bullish Bulletin

IT is difficult for an international organisation such as the Economic Commission for Europe in Geneva, which straddles the conflicting ideologies of East and West, to maintain an entirely unbiased posture. No doubt its bulletins frequently give offence behind the iron curtain; but it is unusual for them to be censured in the West. The latest ECE bulletin for the second quarter of 1953 has, however, been roughly handled in the British press because of a supposed pro-Soviet bias, and because of alleged technical deficiencies.

The ECE secretariat would fail in its duty if it ignored Communist sources of statistics and other data; but it has an equal responsibility to exercise discretion and, where facts are unverifiable, to report them as such. In this bulletin there is a tendency, not previously noticed, to accept as final the ministerial statements and planned targets of Eastern European countries as if they were hard facts. A hideous new phrase—operational plan—has been admitted, as if to suggest that a target has already been seven-eighths reached. Thus, for instance, in a table on page 8 of the bulletin, showing housing construction in Eastern Europe, the heinous sin is committed of adding together actual and "operational" planned figures to give percentage plan fulfilment. A tiny warning footnote is hardly sufficient to prevent the ordinary reader from believing that Rumania had fulfilled its housing plan to the extent of 97 per cent, whereas in fact in the past three years it has averaged only about 62 per cent. Again, there are some unsupported statements, such as the remark that "considerable numbers of farmers" from the Soviet zone of Germany have now returned to their farms, whereas, in fact, no such tendency has been reported.

ECE is quite properly in favour of increasing East-West trade; but where is the solid evidence that Western European countries could "make substantial savings in dollar imports" by raising their trade with the Soviet Union? The example of petroleum given in the report is not

particularly happy, since most of free Europe has already made its dollar-saving dispositions for oil purchases and there is, indeed, a real fear of a glut should Abadan reopen. The price factor as an obstacle to such trade, which the ECE used to emphasise, has now vanished, without explanation. And in irrelevantly coupling with East-West trade the fact of increasing West German competition in certain markets, the authors have drawn on statistics that do not really support their argument. In a table showing the intrusion of Federal Germany in the trade of the Middle East, the figures show that only marginal inroads have been made in Britain's markets in most countries (in Iraq West Germany has actually lost ground since 1952), except in Persia and Egypt, where political factors—not mentioned in the bulletin—are dominant.

Where Sweden Fits In

NEUTRALITY, in the modern world, can be a very different thing from neutralism. This distinction has been made more than once in these columns. The common interest of world peace is served by countries such as Sweden and Switzerland, which not only provide a source of mediation and impartial judgment in international disputes, but also, by steadfastly manning their own ramparts, ease the burden of collective defence that lies on the shoulders of other nations. This is in exact contradiction to the role played by the neutralists, who pretend that this burden does not exist.

But neutrality cannot be practised in a vacuum. It is paradoxical that this should need to be pointed out; but the need has been clearly demonstrated in a newly published panegyric on the virtues and triumphs of Sweden. Sweden, stoutly armed and dedicated to the limited but honest idea of defending its own territory, is an obvious stumbling block to any aggressor and, by the same token, a solid asset to the forces of peace. But, as Swedes themselves are the first to admit, the "alliance-free" policy is successful only

because the western allies not only provide a support against which Sweden can brace itself when pressed by Moscow, but also present no threat to it themselves. It is absurd to discuss the possibility of a Nato attack on Sweden in the same terms as a Soviet attack. Indeed, Sweden's ability to concentrate on defence against attack from the East is partly due to its confidence that it need fear none from the West. It is equally absurd to see Denmark and Norway as living tranquilly under a shield of Swedish strength and sagacity. These two countries explored this idea just five years ago and found it fallacious, with the result that both joined the Atlantic partnership.

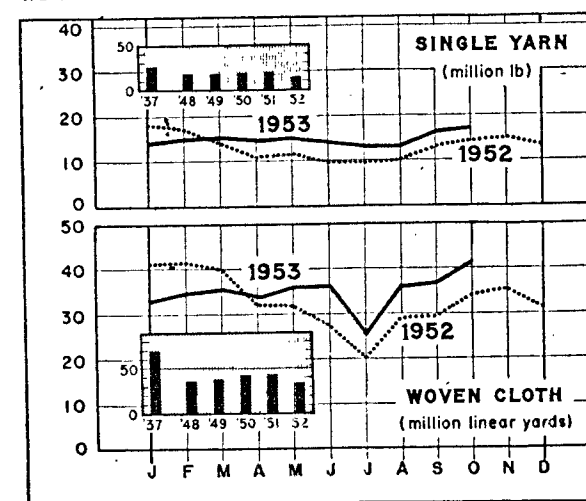
The Swedes deserve full credit for their services to peace both as a patient go-between and as a sturdy hedgehog. They may also claim that they were the first to discover that a welfare state is worth costly defence—a discovery not yet made by all Socialists. But modesty and realism make them embarrassed at the idea that a model for Paris, Bonn, Rome and others is to be found in Stockholm.

Beria's Ghost

BERIA'S name has apparently disappeared from the latest volume of the Soviet Encyclopedia. Thus he joins some of the greatest revolutionary leaders on the path towards official oblivion. A new and apocryphal version of his life is written on the well-worn palimpsest. Beria the "beloved leader and Stalin's comrade-in-arms" is no more; he has vanished. Only if his opponents succeed in bringing him into the dock will his name reappear, with the usual terms of abuse attached. But it is one thing to erase a name from the books, another to eradicate a trend from the political life of the country. There are signs that the struggle of which Beria's fall was the climax is not yet over. Important personalities are still being purged throughout the Soviet Union. After Georgia and the Ukraine the turn of Leningrad has come, the former capital, the "commune of the North" and the heart of every past opposition movement.

At a recent meeting of the Leningrad Party committee the entire local leadership was reorganised. V. M. Andrianov, first secretary of the Leningrad committee since 1949, was among those who lost their jobs. Andrianov was an important figure, and not only as the boss of the second Party organisation in the country. At the All-Union Party Congress last year he was elected to the Presidium, which put him among the 25 most important Party personalities in the country. There is no evidence to show a direct link between Beria's fall and Andrianov's eviction, though the name of his successor, F. R. Kozlov, may provide a clue. It was this Kozlov who launched an appeal for "vigilance" in *Komunist* on the eve of the announcement of the "doctors' plot" at the beginning of this year. This active member of the Soviet *vigilantes* may now be getting a reward for his struggle against the Beria deviation. Leningrad has always been a hard nut to crack, and it is not surprising that the general secretary of the All-Union Party, Nikita Khrushchev himself, watched over this purge. One wonders whether all opposition has been crushed here and elsewhere? The Beria heresy may well be hydra-headed even though Beria may no longer exist.

OUTPUT OF THE BRITISH COTTON INDUSTRY
WEEKLY AVERAGES



Books & Publications

Modern Walpole

MACKENZIE KING: *The Incredible Canadian*.

By Bruce Hutchison.

Longmans. 456 pages. 25s.

IN the spring of 1921 there fell the second centenary of the beginning of Walpole's marathon tenure of the premiership. At that time it seemed most improbable, if not impossible, that anyone in the British Commonwealth would ever equal his record of nearly twenty-one years in that office. Least of all, no one ever suspected that the new leader of the Liberal party in Canada, already in his late forties and with little chance of his political party winning a majority in the next general election, would within the next twenty-seven years exceed Walpole's record. Yet this remarkable feat was in reality only the by-product of what may be termed the politics of Mackenzie King.

Of all the prominent Commonwealth statesmen of the first half of this century, Mr King, if not the most important, was one of the most engaging and intriguing. The mere magnitude of his role in so many political fields assures a welcome for this candid portrait from a journalist's point of view. Journalists have not always proved the most judicious of biographers; their judgment of events and their assessment of character are often uneven. That is inevitable. But the worst kind of biographer is not he who has a point of view, but he who has none; Mr Hutchison has certainly not obtruded his unduly.

Mr Hutchison's main quarry for information has been "many persons who were as close to King as any man could be." Little of the information is new, but the author gives some tantalising, if not sensational, glances into the public and private life of Mr King and many of his associates. However, without more material, it is difficult, if not impossible, to illumine much of the obscurity surrounding his ambiguities and contradictions.

This book has already evoked considerable controversy in Canada; and some of Mr Hutchison's fellow Canadians think his particular illumination of King and his country somewhat curious. Certainly the scope of the volume is wide; and some of the author's generalisations are highly questionable. This is particularly true of his treatment of the 1926 constitutional issue concerning the dissolution of Parliament and of the conscription crisis in 1944—though on the latter Mr Hutchison's postscript contains an important addition. The

treatment of some other subjects, such as the abdication, is quite inadequate. However, the author declares that he is not pretending to present anything like a complete study of King and his era and that the book is solely his own interpretation of both. Accepted as such, it is a lively and vivacious narrative; and, what is more important, it has understanding. Mr Hutchison's remarks on the personal character of King are not very complimentary, but he has high praise for King the politician and statesman. Mr King has emerged from it a much more colourful and complex man than the great majority of people believed him to be.

It is now a commonplace that King was the principal advocate of Dominion autonomy, and that his opposition to common organs and formal imperial unity was for the most part dictated by his desire to strengthen the unity between the French-speaking and English-speaking Canadians. The more detached reader will be interested rather in other questions. Why did this Canadian remain for so long in the first rank of politics? Why was he a man of indecision? What was the extent of his influence and impact on events? Mr Hutchison throws much light on these questions, though the more serious reader will not be completely satisfied with the answers. He must await a more definitive study.

In the meantime this interim biography is welcome: it is highly readable and most of it is sound; moreover, Mr Hutchison's style gives a relish and piquancy to his fascinating narrative. It is higher journalism at its highest.

Eightieth Year

CHURCHILL BY HIS CONTEMPORARIES.

Edited by Charles Eade.

Hutchinson. 528 pages. 25s.

THIS is a good idea which has not quite come off. To portray Sir Winston Churchill's manifold talents by having each of them described and discussed in turn by an expert in a particular field is an original and promising idea. But in practice it has run into difficulties. For one thing Sir Winston has said so much of it so much better himself. The most important field, too, in which his great abilities have found their outlet, that of statesmanship and strategy, requires at the least a volume on its own, and does not lend itself to treatment in a chapter or two, though both Lord Altrincham and Mr

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A. L. Rowse make points of considerable interest in the sections they contribute.

The more successful parts of the book are those dealing with Churchill as a speaker and a writer. Sir Norman Birkett has contributed an excellent study of the Prime Minister's oratory. Mr Malcolm Muggeridge has a perceptive essay on him as a biographer and historian, in the course of which he describes the volumes of the Second World War as "historic rather than historical, glowing with the making, rather than the writing of history." Professor Bodkin has a characteristically salty commentary on Churchill as an artist. He suggests that the impulse to paint must have been dormant in Churchill from an early age, and found its first expression in the sketches he sent back with his despatches from the South Africa war. This made painting a natural outlet for him when in middle age he sought an avenue of escape from the pressure of events. But Professor Bodkin disagrees with the common — and Churchillian — view that this is an avenue open to all. Sir Winston's call to "Everyman to paint for himself," says Mr Bodkin

must have powerfully stimulated the sale of artists' materials during the past five years; and the number of those whom it has led astray into mis-spent effort must greatly exceed those whom it has led safely into a promised land.

Lord Winterton and Mr Shinwell, from very different points of view, arrive at much the same affectionate though critical view of Sir Winston as a Parliamentarian. Mr George Isaacs has a good chapter—one of the best in the book—on Churchill and the trade unions. And for those who insist that in these days a man is a hero to his valet there are details of his personal and working habits by his ex-secretary and by the detective who guarded him for many years. But not even Sir Alan Herbert has succeeded in getting down on paper Sir Winston's humour. The reason is surely that it is like humour in a play, depending for much of its effect on the timing and the background—on the swift quip which alleviates the tension of some great and passionate issue in the Commons, or the jest which enables him to escape from some tight political corner.

Despite these defects, however, the good parts of this volume render it a task worth undertaking, and make it both saleable and readable. The subject alone guarantees that.

Record of Recovery

THE REBIRTH OF AUSTRIA.

By Richard Hiscocks.

Oxford University Press. 263 pages. 18s.

EVENTS have moved so quickly during the past six months that a postscript is already required to Professor Hiscocks's admirable little book on Austria since the war. Only a few days after it went to press last spring, a new era began in the story of the four-power occupation with the gradual

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relaxation of Soviet control over Austrian affairs in both the Soviet zone and the Soviet sector of Vienna. Consequently, Russian obstruction, which has hampered Austria's recovery ever since the first post-Nazi Austrian Government was formed in April, 1945, has now become materially less. Mr Hiscocks has devoted a whole chapter to this subject and nothing that he has written about it is in any way invalidated. But there are already a number of new facts to be added to those he has enumerated.

The story of Austria which he has described is an inspiring record of recovery. Starting with a picture of utter chaos, misery and starvation it recounts the various steps and stages through which Austria has passed until now, eight years later, it has become one of the most stable states in Europe. It has a coalition government which really does pull together and which had the same Premier, Dr Figl, throughout practically the whole period with which Mr Hiscocks deals. It has built up a reserve of foreign currency that today exceeds \$50 million. It has a growing export trade in spite of a decline in trade with former customers in eastern Europe. And though Austria still has a formidable unemployment problem, its population is, on the whole, well fed—better fed, unquestionably, than that of any of its eastern and southern neighbours.

The controls imposed by Russia on the movement of goods and people across the frontiers of its zone and its censorship of communications have been lifted since Mr Hiscocks's book was printed. It is no longer necessary, for example, for a "10-kilometre [telephone] call between Feldkirch in the Vorarlberg and Buchs in Switzerland . . . to be routed through Vienna over 500 kilometres away." But the Soviet economic exploitation of Austria continues on the same scale as before, and there is as yet no sign that Russia is ready to end the occupation and restore to Austria the full liberty it promised in the Moscow Declaration of November 1, 1943. Austria's recovery is all the more remarkable in that it has taken place in spite of this exploitation and occupation.

It is, of course, impossible to cover fully every aspect of Austrian recovery in a book of this size, and Mr Hiscocks has said nothing about the relationship between the Federal Austrian Government in Vienna and the various provincial governments. The omission is surprising, since he has dedicated his book to two officials in the province of Upper Austria. As in many countries, the Austrian provinces sometimes tend to be jealous of the capital. It would be difficult, for example, to persuade a majority of the 6 million odd Austrians who live outside Vienna that the Austrian Government is justified in spending no less than £3 million on rebuilding the Vienna Opera House. However, the surprising thing about Mr Hiscocks's book is not that he has left such things out but that he has got so much in. As a general guide to post-war Austria, his book is invaluable.

The Seizure of Power

THE PATTERN OF COMMUNIST REVOLUTION.

By Hugh Seton-Watson.

Methuen. 377 pages. 25s.

IN his introductory chapter Professor Seton-Watson defines the task he has set himself: a comparative historical analysis of Communism as a revolutionary movement. In describing the main attempts, successful and unsuccessful, by Communists to seize power from 1917 until today and ranging from highly industrialised Europe to primitive Africa, he has sought to "indicate the principal social and political conditions that have helped or hindered Communists in their recruitment of supporters and in their onslaught on the state machine. And the title implies that from these descriptions there will emerge a synthesis, a crystallisation of the basic factors common to all Communist attempts to seize power.

If the outcome falls short of the promise the reasons are not far to seek. In the first place, the book (given the author's intention) is top-heavy with familiar and not always relevant detail. An introductory first chapter deals with Europe before 1914, and contains sections on economic and social divisions, political systems, education, religions, nationalities problems, labour movements and the Second International. The following chapters describe the Russian Revolution of 1917, the founding of the Comintern and the abortive central and east European revolutions and uprisings that came with the end of the First World War; and by page 110 the author has also discussed "Communism in Russia, 1921-1928" and "Communism in Europe, 1921-1933." From that point on the geographical scope widens and the dates and names multiply like rabbits. Occasionally the narrative is interrupted by a series of paragraphs which are almost flagged as "causes of victory" or "causes of defeat," and by some surprising generalisations, for instance, that the Popular Front tactic of the 1930s was a failure in Europe.

Even up to page 329 the names and dates (invariably accurate) are being machine-gunned at the reader, and then in his final chapter, Mr Seton-Watson offers his synthesis. He finds that

The political factors that have been decisive for the victory or defeat of Communists have been the resistance or collapse of the State machine and the international balance of power. . . . The collapse of the State machine . . . has been brought about . . . only by the direct or indirect effects of war. . . . The second political factor, the international balance of power, requires little explanation. Communists have succeeded when Soviet military force was available to support them, and have failed when anti-Communist or non-Communist military force was present in overwhelming strength.

In short, the Communists win when they seize and hold state power and they lose when the non-Communists defeat them.

For the generation which at first hand has known politics only since 1939 the

book is an excellent guide to the history of Communist movements throughout the world. To be anything like a complete record of world Communism, however, much more space should have been given to the later integrative and organisational activities of the Comintern and its subsidiaries such as the Pan-Pacific Trade Union Secretariat. Mr Seton-Watson's unwritten book would have sacrificed some of the facts in order to bring out the remarkable consistency which has guided Communist revolutionary activity ever since Lenin—its unshakable determination to destroy capitalism, its insistence that every Communist be a full-time disciplined militant, its definition of every situation as a political one, and its readiness to co-operate with non-Communists should this be the most effective way of destroying them or of safeguarding the Communist Fatherland.

Heritage of Slavery

FAMILY AND COLOUR IN JAMAICA.

By F. M. Henriques.

Eyre and Spottiswoode. 196 pages. 18s.

THE lands of the Caribbean, the southern States of America, and Brazil, are all marked by the heritage of the slave trade and Negro slavery. Their modern characteristic is great poverty, social structures dominated by detailed scales of colour, and apparent instability of domestic groupings. There has been considerable research into these problems

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both in the United States and in the Caribbean, but there has as yet been no satisfactory sociological analysis of a single West Indian island. Most studies in the West Indies themselves have been cultural in their emphasis. Dr Henriques's book on Jamaica therefore stresses the importance of this field of research for elucidating fundamental problems of class and family relations. Ethnographically the book is excellent; it describes the nature of the problems clearly. But the explicit sociological and psychological statements, which are interpolated in the description, somewhat over-simplify the case. The merit of the book resides in its implicit ordering of complex data.

Dr Henriques stresses the general poverty of Jamaica's population, created by successive crises in single-crop economies. A few people at the top, as in the time of the sugar planters' heyday, are extremely wealthy. The descendants of the emancipated slaves, for whom no provision was made at the time of emancipation, live in constant want, moving in search of work and following messianic cults in search of salvation. This poverty and mobility are accompanied by great instability of domestic association. Throughout the region of former slavery the "illegitimacy rate" runs between 50 per cent and 70 per cent of births. Dr Henriques sees that although these classes have Christian monogamy as an ideal, in fact they accept concubinage and "illegitimacy" as normal. No social disapproval attends them. Hence he gives a value to the various forms of domestic association different from that given by preceding studies. These forms are the Christian family with civil marriage as its basis; faithful concubinage, where a couple have lived together for many years; the keeper family, which is a temporary association; and the maternal family, where a number of women, related by descent, live together in the other forms of association with men. He rightly rejects Herskovits's thesis that these associations are African survivals, and shows how they are related to forms of mating under slavery but are maintained by present conditions. Particular domestic groupings may pass in a cycle through all the forms. In the upper, and lighter, classes marriage, with perhaps the keeping of a concubine, becomes normal.

This important analysis is tied into a study of the fine grading of class, dependent on colour, wealth and skill, which has emerged from the mating of whites and negroes. All except the poorest and lowest are striving to move up the scale, and all except the rich and highest are struggling to avoid slipping downwards. This has important effects on the Jamaican temperament and on personal relations. Though there is no "colour bar" the whole society is extremely "colour-conscious." This has the result that the upward mobile man always tries to marry a lighter woman; and there is appearing a class of professional spinsters who

cannot mate at their level or upwards, and will not marry downwards.

The whole structure is now assailed by a constitution which gives political power to blacks; as the practical problems of Jamaica grow more difficult, they become more fascinating.

Malvolio Speaks

UPHILL ALL THE WAY.

By Mary Agnes Hamilton.

Jonathan Cape. 160 pages. 12s. 6d.

IT is not the Malvolio of the cross-gartered yellow stockings, the self-important ass, but the suddenly tragic and dignified figure declaring from his dungeon that he "thinks nobly of the soul," who gives Mrs Hamilton her final chapter-heading. This warm-hearted, intelligent and enormously refreshing autobiography is a manifesto for democracy, an utterance of that "third cheer" which Mr E. M. Forster tolerantly but firmly withheld. She "thinks nobly of the soul" as she has seen it through an active political and professional lifetime; she believes, moreover, that no soul is complete without participation in the life of the social order; she has found that the patient co-operation of men of goodwill in seeking common ground is in fact, and not only in theory, rewarded by solid practical success. For democracy as fact, as a set of social and political institutions, she would, one gathers, agree with Mr Forster in thinking two cheers quite enough. For democracy as aspiration, as vital underlying principle, as the only healthy social relationship of human beings however diverse in nature and gifts, she has that unreserved enthusiasm which he would keep for "Love the Belovéd Republic." The democracy of the textbooks and the democracy of Walt Whitman overlap but do not coincide.

Given a different sort of personality Mrs Hamilton might have drawn different conclusions from the experiences here narrated. She had a happy childhood and adolescence, but thereafter it was "uphill all the way" much in the manner of Sisyphus. Her marriage is a brief, and briefly mentioned, failure; her first political enthusiasm, the Independent Labour Party, leads to disillusionment; she hitches her wagon—until 1931—to Ramsay MacDonald's star, and suffers accordingly; 1931 brings defeat and unemployment; the dismal closing years of the long Armistice overwhelm her with a sense of personal dishonour; she feels her full share of the *Angst* afflicting the exhausted and divided postwar world.

But Mrs Hamilton's capacity for digesting experience and turning it to wisdom, for achieving self-knowledge while preserving sympathy, save her from the common fate of the over-idealistic—at worst cynicism, at best a detached cultivation of a private garden. "Uphill All the Way" is indeed an excellent specific against cynicism, especially that cynicism engendered by the spectacle of equalitarian spite and equalitarian cant.

Independent Asia

ASIA AND WESTERN DOMINANCE.

By K. M. Panikkar.

Allen and Unwin. 530 pages. 30s.

SARDAR PANIKKAR'S book is compulsory reading for anyone who has anything to do with Asia, whether he is diplomat, businessman or plain student. It is not only that it is the first book to cover both the whole area from Karachi to Tokyo and the whole period from Prince Henry the Navigator to the present day; it is also that it is the first book to give the viewpoint of independent Asia. Previous literature has been written either by Europeans or by Asians whose judgment was distorted by their resentment at the colonial or semi-colonial status of their countries. Sardar Panikkar suffers from no complexes.

Sardar Panikkar is a historian of quality. His style is smooth and lucid; his very considerable learning is carried lightly; his choice of facts to illustrate his theses is nearly always judicious. One can quarrel only with his persistent tendency to regard China as always sinned against in its nineteenth century relations with the West. The Opium War was quite as much about diplomatic relations as about opium; the war of 1859-60 was not fought just to protect a pirate; exasperation at foreign interference does not really justify the Boxer murders. Gunboat diplomacy was as much the result of the inefficiency and corruption of Chinese officialdom as of the West's belief in its moral virtue.

That Sardar Panikkar takes this line is, however, in itself significant. That, undoubtedly, is how most Chinese feel, and it is in this reflection of attitudes that Sardar Panikkar is at his most revealing. He is severe with the West about China because he feels that Western behaviour gave the Chinese no real option to Communism; a hundred years of Western, and especially missionary, education left too little faith in Confucianism for Chiang's neo-Confucianism to succeed, while liberalism never got out of the universities. By contrast, his comments on British rule in India are, in general, favourable. He mentions the plunder of Bengal after Plassey; he points out that the victory itself was paid for rather than fought for; he sees no case for the Afghan or Burmese wars; he quotes Kitchener's patronising remarks about the impossibility of having "native officers" in the army. But he recognises the importance of the English language in unifying India, of the British railways, universities and administrative system in providing a basis from which independent India can build up, and of British liberal and democratic ideas in helping to make India Asia's main representative of liberal democracy.

Sardar Panikkar has much to say, too, and all of it illuminating, on such subjects as Russia's relations with China, the role of missionaries, and the Japanese failure to absorb Western humanitarianism. But the book should be read. It cannot all be put in a review.

Letters to the Editor

A Mission to Moscow

SIR—In your issue of November 28th you made a series of comments on a letter from Mrs Joan Robinson. Although I disagree with the general tenor of all your comments on this subject, I will confine myself to one only, namely your statement that "the long-term trade agreement between the United Kingdom and the Soviet Union, which was signed in Moscow in December, 1947, is still in force." This is not correct.

This agreement, which I myself negotiated, covered certain short-term shipments of goods, all of which are now completed except for certain cases where contract negotiations were broken off. The long-term arrangements envisaging further schedules of exchanges of goods never came to anything. The reference to financial arrangements has been taken up by a separate monetary agreement and the shipping clauses fall with the general reference to long-term trade arrangements.

Certainly neither the Board of Trade in this country nor the Soviet Government consider that a long-term trade agreement is in force between the two countries. Moreover, since the phrase "trade agreement" in the text of your article and Mrs. Robinson's reply clearly envisages lists of goods to be bought and sold, there has not been such an inter-governmental agreement in force—apart from specific purchases of particular commodities by Government departments—since the expiry of the short-term arrangements (part A) of the 1947 agreement.—Yours faithfully,
House of Commons HAROLD WILSON

★

SIR,—I was puzzled by the statement in your Note of November 21st that "Anglo-Russian trade in non-strategic goods is developing quite satisfactorily within the official trade agreement." After the ECE conference last April, France and a number of other western countries negotiated agreements for two-way trade with Russia on the basis

of the lists which had been exchanged at Geneva. This country has so far made no response to the Russians officially. The "official trade agreement" to which you refer is not a close analogue to the trade agreements that France, Italy and some other countries have entered into. It is an agreement concerning trade, but not an agreement to trade. It rather takes the form, as Mr Eden said, of not objecting to trade.

The explanation can hardly be that our exports to the Soviet Union are going along satisfactorily. They are, in fact, almost at a standstill. In the first nine months of this year their value was only £1,316,000, the lowest for any peacetime year in the last three decades and less than a quarter of the postwar average.

Our exports to Russia at the moment are, in fact, less than one-thirtieth of our exports to Belgium—and this at a time when the Russians seem likely to increase their sterling holdings rapidly by the sales to this country of grain, timber, manganese ore and other metals as well as silver and gold.

Perhaps that is the explanation of the readiness on the part of a number of manufacturers in need of new export markets to join in a group visit to Moscow, planned on the basis of the indications given by the Russians of their current requirements. Many of our people believe that something more than individual, unco-ordinated sales-

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manship is needed to make the necessary impact on the highly centralised trading organisations of the Eastern bloc. Especially if a commercially disinterested body undertakes the preliminary work of market research, selection of forms and general organisation, the group visit may do a great deal to advance British exports in markets with which we have at present little effective contact.

Incidentally, in the publications of the British Council for the Promotion of International Trade that I have read, I have failed to find anti-American propaganda (even non-spiteful propaganda). Much of it consists of extracts from American newspapers and periodicals of unimpeachable respectability.—Yours faithfully,

Bristol University H. D. DICKINSON

★

SIR—It often happens that one man's fancies are another man's "facts." There are, however, some points in your comment of November 28th on my letter which it should be possible to clear up. (1) On the agreement of 1947 with USSR we seem to be at cross purposes. This is not now an operative trade agreement of the type which, for instance, the UK has with Czechoslovakia, and which France, Sweden and Italy made with the USSR after the last ECE trade meeting specifying quantities and naming commodities. The "short-term arrangements" under the 1947 agreement have long since expired and the "long-term arrangements" which refer to "a balanced programme of shipments between the two countries" seem to have become a dead letter. (2) Your reference to "conditions" laid down for the Moscow conference of 1952 is also misleading. The principal condition was that "the Conference will rule out any discussion of the respective merits of different economic and social systems." Many people, I know, were deterred from coming, not by any "conditions," but by the thought of the smears to which they would be liable to be subjected when they returned.—Yours faithfully, JOAN ROBINSON Cambridge

[Our remark about the course of Anglo-Soviet trade was based on reports reaching us of a number of contracts recently obtained through the ordinary channels from the Russians. An example is that for £10 million of trawlers now sanctioned by the British Government. These orders will of course appear only in future trade returns.

There is no point in quibbling about what is and what is not a trade agreement. Our argument was that the official channels for negotiation set up by Mr Wilson's agreement still exist—including a Soviet Trade Delegation in London—and that better results are likely to flow from using them than from highly publicised private missions with a propaganda flavour. That is still our opinion—and the Soviet Government appears to agree with it. We have the most direct evidence of the conditions that were imposed for the 1952 Conference.—EDITOR.]

Jute: A Test Case

SIR—In fairness to the jute industry I feel that there are certain cardinal points which the article published in your issue of November 21st failed to bring out.

(1) The national importance of having a jute spinning and manufacturing industry in the United Kingdom, which was publicly acknowledged by the President of the Board of Trade in 1948. Without a home spinning and manufacturing industry a large number of consuming industries in the United Kingdom would be unable to get their specialised requirements. The wide diversification of the home industry is obviously not appreciated, and here I would again quote from paragraph 4, page 1, of "The Working Party Report": "It would be unwise in the national interest to allow the consuming industries to become more and more dependent on a single outside source of supply." Subsequent to the publication of "The Working Party Report" the single outside source of supply (India) did in fact let this country down, and for a considerable time only the existence of a healthy and versatile home industry prevented a serious national crisis.

(2) The article seems to imply that the home industry should only be protected until more economic industries can be attracted to Dundee: the word "economic" can be used in almost any context. At the foot of page 71 of "The Working Party Report" there appears a sentence: "It is relevant to mention here that the new industries which are being established in Dundee are all protected by tariffs."

(3) You say that the industry should have a permanent incentive to reduce costs and prices. I would point out that under the present system of cost and profit control exercised by the Government there is a very direct and sharp incentive to every producer to reduce costs, and large sums of money have been expended on modernisation to this end.—Yours faithfully,

W. G. N. WALKER, Chairman,
Jute Industries Limited
Dundee

European Political Community

SIR—In the article in your issue of November 21st, I am not clear what is meant by the statement that "The Community theory . . . is not so much a new kind of state as a novel administrative technique, which depends for its success less on the positive transfer of powers to this or that body as the withdrawal of major economic veto-rights from the national governments."

In my view, your correspondent is not making a positive contribution towards clearing up the issues involved in the European constitutional debate. As he points out more or less clearly at the end of his analysis, the essential

cleavage today is between those who want some definite supranational powers to be granted to a European Government (both to the legislative and the executive branch of it) and those who oppose any transfer of national sovereignty.

There is no new Community theory, and your correspondent's "novel administrative technique" is nothing other than the only possible compromise between the federalist and the anti-federalist groups. Should the EPC eventually become a political reality, either the federalist forces will win the day and the Community will become a going concern or the national forces will prevail and the EPC will surely fall apart like the proverbial house of cards.

If your correspondent believes that "the idea of a federal executive is an old-fashioned one," he should also say with the same clearness and simplicity that he does not believe any supranational government to be possible at all in continental Europe. It would be much better than fumbling about with such subtle and foggy concepts as "novel administrative technique," "gentle custodian," "positive transfer of powers," etc., etc.—Yours faithfully,

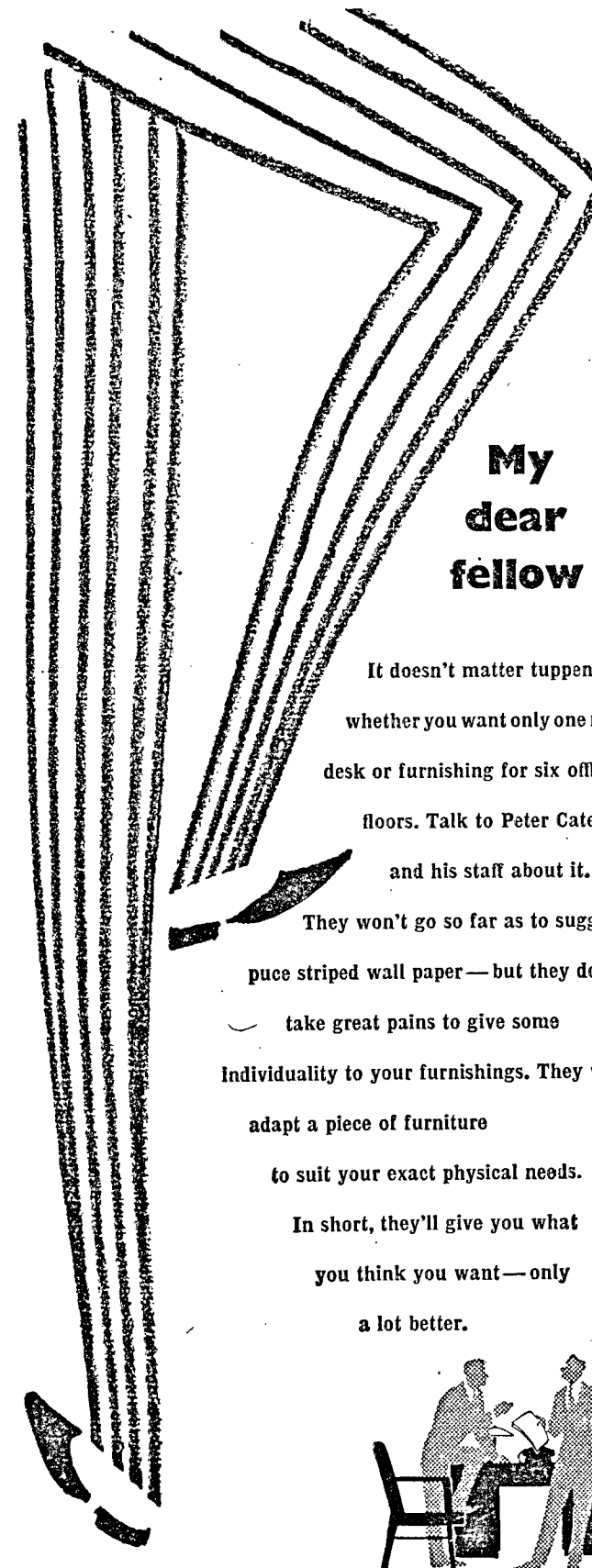
RENATO GIORDANO

[Signor Renato Giordano appears to argue that clarity rather than compromise is desirable in politics. Thus he is eager "to clear up the issues involved" and to see that "federalist forces win the day." The first aim, however, of the EPC is to prevent nations and groups from acting in a manner detrimental to the interest of all. This is surely best achieved, in the foreseeable future, by a constitution which is part federal and part intergovernmental. Only when such a system has been tried out will it be possible to say whether a full federation is necessary. To insist on federation now is to create the maximum of resistance; to try the Nato method and the experimental Luxemburg method is more reasonable.—EDITOR.]

Take-over Bids

SIR—The spate of take-over bids appears to be due to the unrealistic state of most balance sheets where fixed assets are shown at prewar cost heavily written down. This state of affairs gives shareholders, and maybe certain directors, a false idea of the real value of the company as an entity and leaves the way open to enterprising speculators to cash in. The idea of an annual balance sheet is surely to let the owners (shareholders) know about the prosperity and current value of their property and should thus be as accurate as is reasonably possible. Last year Imperial Chemical Industries Ltd revalued all its property and produced a very different picture for its shareholders. If other companies were to revalue fixed assets their true value would be brought to light and the speculative bids would largely disappear.—Yours faithfully,

W. A. KINNEAR
Director, Evans Medical Supplies Ltd.



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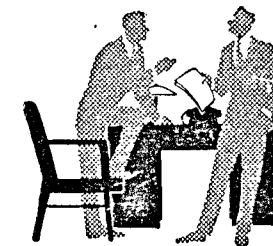
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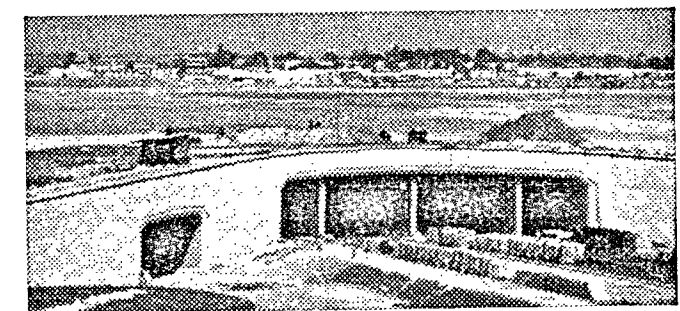
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American Survey

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.

Blueprint for Better Neighbours

Washington, D.C.

EVEN before he sent his Vice-President on the Far Eastern circuit, President Eisenhower had despatched his brother, an agricultural expert who is the president of Pennsylvania State College, to mend fences in Latin America. Unlike Mr Nixon, Dr Milton Eisenhower listened, but said very little. Only now, four months after his return, has he revealed in print some of the impressions that were made on him. Besides the published report there was a series of detailed recommendations concerning particular countries, a few of which have already been acted on.

Dr Eisenhower's conclusions will be persuasive evidence in a number of arguments that are still undecided in Washington. For one thing, he comes out strongly on the side of the technical assistance programme. Since the present Administration came into power there have been repeated rumours that this programme, known everywhere as Point Four, would be lost from sight as the result of being included with military and economic aid in the embrace of Mr Stassen's Foreign Operations Administration.

These suspicions were hardly stilled when Mr Stassen dispensed with the services of all the senior officials of the Institute of Inter-American Affairs, which administers technical assistance in Latin America. During his visit Dr Eisenhower was able to see in action several examples of the *servicio* type of project, in which American experts work on the job with their local opposite numbers who, when fully trained, take over completely. As the result of Dr Eisenhower's recommendations Mr Stassen has already increased the funds for this work by 10 per cent to \$23 million.

Secondly, Dr Eisenhower's belief that the outstanding need, as far as Latin America is concerned, is for a stable trade policy, "with the minimum of mechanisms permitting the imposition of increased tariffs or quotas," will add to the cumulative force of evidence to the same effect before the Randall Commission. Then he has given his support to the continuation of the Export-Import Bank or a similar national institution which could make development loans that might not appeal to an international agency. The Treasury has cast a jealous eye on the activities of the Export-Import Bank because its loans are counted as ordinary expenditure for budget purposes, and is insisting that the International Bank, which handles the longer-term

projects, should take over all public development loans.

Lastly, Dr Eisenhower has intervened in the controversy over American stockpiling. There is strong opposition, which was voiced, for example, at the annual National Foreign Trade Convention at New York, to the idea of stockpiling goods for any purpose except strengthening the defences of the United States. While not exactly contradicting this, Dr Eisenhower points to the Paley Commission's report on future deficiencies in American supplies of raw materials, and argues that when world prices are falling the United States can at one and the same time help to shield the economies of the producing countries and make sensible provision for its own future. He does, however, admit that money cannot easily be made available to do this to any great extent, except for purely defence purposes, during the period of rearmament.

★

Both Chile and Bolivia are today in straits on account of the collapse of world prices for copper and tin. In Chile, where the government did not have enough money to buy out the American-owned copper mines, it insisted on controlling their sales and holding out for a price of 36½ cents a pound, when the world price had fallen below 30 cents. The result has been a large stock of unsaleable copper, and at last, after much heartsearching in the Chilean Senate, has come the realisation that the United States can, for the time being at least, do without Chilean copper, just as the cars did not stop all over Britain when Dr Mossadegh switched off the oil. At the end of the intricate negotiations now going on the United States is expected to be able to add the copper to its stockpile at the world price of 30 cents, with an easing of conditions for the American companies thrown in.

The homœopathic argument—that the government concerned, however repugnant to the United States, is alone standing between the country and Communism—was no doubt frequently used during Dr Eisenhower's tour. It was certainly used by General Perón, who declared himself supremely confident that his regime deprived the Argentinian Communists of all their arguments. Dr Eisenhower's visit to Buenos Aires was accompanied by a series of conciliatory gestures, such as the lifting of the ban on American news agencies, and by a declaration, from President Perón,

that all misunderstandings between the United States and Argentina were "totally and absolutely solved."

But it has been President Paz Estenssoro of Bolivia who has had to place the greatest reliance on the homœopathic argument. Although no one has accused him of being a Communist, some of his ministers arouse strong suspicion of being fellow-travellers. After Bolivia nationalised the tin mines, tin prices collapsed and on the world market they are now well below the nationalised company's cost of production. As the country's economy is almost totally dependent on tin and it imports 40 per cent of its food, its plight was genuine enough. The government threatened to resign and, although some people thought that this was the best thing that could happen, the State Department rather reluctantly came round to the view that worse was likely to take its place. Bolivia is therefore being relieved of its tin, its technical assistance grant is being doubled to help expand its food production, and, following a personal appeal from President Paz Estenssoro, President Eisenhower has arranged for \$9 million of direct help, partly made up of surplus foodstuffs.

This action in Bolivia is being contrasted with the much sterner attitude adopted to the left-wing government in Guatemala, which has been engaged in a steady erosion of American interests and has allowed the country to be used as a headquarters for propaganda against the United States. The State Department has decided that, whereas the Bolivian President is trying to hold out against the Communists, the Guatemalan President is not, and it has followed up a very sharp Note by appointing one of its most experienced diplomats to the American Embassy in Guatemala.

★

Despite the obstacles of weak governments, excessive nationalism, a heavy increase in the population and the chronic shortage of properly qualified technicians, there has been an enormous economic expansion in Latin America since the war. Output a head, for instance, has gone up by 2.5 per cent a year, as opposed to 2.1 per cent in the United States. But in his report Dr Eisenhower expresses his firm belief that only the free play of market forces and competitive price mechanisms can save the republics from the kind of unbalanced development that has just, for instance, led Brazil—the country with the greatest potential resources of them all—into a most serious financial crisis. "Private enterprise" has in the past been associated with large foreign monopolies holding a privileged position. There is still an absence of local capital markets in the republics. But the pressing need for foreign investment, combined with the lectures on economics delivered by the International Bank, the Export-Import Bank and visitors like Dr Eisenhower are gradually having their effect in legislation that offers reasonable prospects to the investor.

The Latin Americans, who, as Dr Eisenhower notes, are inclined to overlook the great indirect benefits they reaped from European assistance schemes, may have hoped that a new Administration meant that their turn had come. The Eisenhower charm and the gestures that he has prompted or that his brother may induce Congress to make will probably remove the sting from what was, after all, the main purpose of his mission: to explain that "private capital must be primarily depended upon for helping to develop the great economic potentials of the nations of Latin America."

Assault by Battery

FROM A CORRESPONDENT IN WASHINGTON, D.C.

THE bluest of blue-ribbon scientific juries, a committee of outstanding experts chosen by the National Academy of Sciences, in a verdict delivered last month, found unanimously that the scientific tests of the National Bureau of Standards, the government's research laboratory, were excellent in all respects, and that its long standing conclusions on the worthlessness of a certain nostrum for improving motor-car batteries were entirely correct. In a reasonable world, those findings would have been obvious and superfluous, but certain parts of the congressional and governmental world are not reasonable. And there it was possible for a controversy to arise which cost something like one million dollars in the time of the men engaged in it, which cost an Assistant Secretary of Commerce his job, which cost the Secretary of Commerce his reputation, at least during many months, and which almost cost the nation one of its most gifted scientist-administrators and its most distinguished scientific agency.

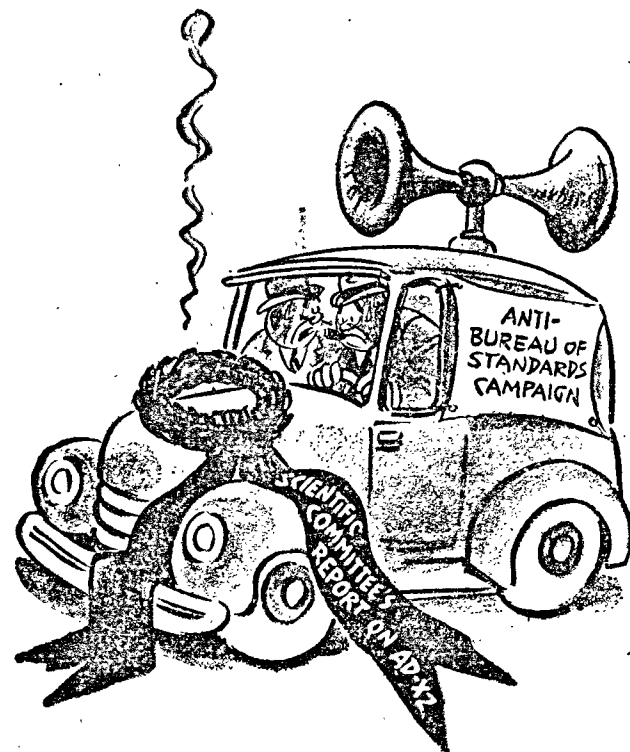
All of this grew out of a debate on the utility of a mixture of Glauber's and Epsom salts for prolonging the life and protecting the components of lead storage batteries. Of such stuff have valueless battery additives been concocted for 70 years; the novelty is only that of such stuff was a shattering controversy concocted today. In 1947 a former construction contractor named Mr Jesse M. Ritchie began marketing, from Oakland, California, a mixture of sodium and magnesium sulphate. It was called AD-X2, the AD meaning additive and the X2 intended to connote something frightfully scientific. Like many similar products which have a brief life before their promotion is halted by government action, AD-X2 was a so-called ethical fraud, ethical in the sense that it did little if any harm to an accumulator. Within two or three years the Federal Trade Commission, which is charged with preventing misleading and deceptive advertising, and the Post Office Department, which is responsible for preventing mail frauds, began to interest themselves in Mr Ritchie's elixir. At the same time, his business was suffering because the Bureau of Standards, in the normal course of its work, had published circulars declaring that no battery additives on the market had any merit whatsoever.

Despite Mr Ritchie's representations, the Bureau declined to exempt his product from the general and inclusive condemnation; moreover, in its role as federal testing agency, it began to experiment even more intensively on AD-X2 for the benefit of the Post Office and Federal Trade Commission cases. Mr Ritchie, who was buying his materials for a few cents a pound and selling them at \$3 for the prescribed dose for a sick battery, saw his profitable world coming down about his ears. Up to this point, there was nothing unusual about such a history or in the fact that Mr Ritchie succeeded in interesting some 23 United States Senators in his plight. That his lobbying campaign was unusually successful may be explained by the fact that Mr Ritchie holds a degree as doctor of psychology, earned from a dingy two-room diploma mill in Chicago, called the College of Universal Truth, which was selling its degrees for \$100 or so.

But the story took a very different turn in early 1952 when Mr Ritchie walked into the Senate Committee on Small Business, looking for a shoulder to cry on, and found

Mr Blake O'Connor, a member of the committee's staff, ready to take over the crusade for AD-X2. By that summer the additional and elaborate tests of the Bureau of Standards had reaffirmed the original verdict on the uselessness of the formula and drastic action was necessary. Accordingly Mr O'Connor, at Mr Ritchie's suggestion, engaged for the committee a scientific consultant who had been employed by the additive manufacturer for some months previously; one of this Dr Laidler's glowing reports on the merits of AD-X2 had already become part of Mr Ritchie's promotional literature. Mr Ritchie then brought to Mr

"I Think The Battery Is Dead"



Herblock in the Washington Post

O'Connor's attention another chemistry professor, Dr Harold C. Weber, of the Massachusetts Institute of Technology, who had made some experiments on AD-X2 on his own, with results much to the manufacturer's liking. Mr O'Connor promptly arranged that the MIT should run some independent tests of AD-X2, with Dr Weber to take the lead in the experimentation. When the resulting report avoided firm conclusions, Dr Laidler remedied that deficiency by declaring that the MIT report fully demonstrated the merits of AD-X2.

The matter was still up in the air, however, and the Post Office was still proceeding with the issuance of a fraud order when the new Administration took office last January. The new Secretary of Commerce, Mr Sinclair Weeks, who has jurisdiction over the Bureau of Standards, was conditioned by campaign oratory, a good bit of it his own, about "the mess in Washington," to believe the story Mr Ritchie was waiting to tell him. Its theme was how a small and struggling businessman was being harassed out of existence by an unfair and officious federal bureaucracy. The Assistant Secretary of Commerce, Mr Craig Shaeffer, was even more inclined to listen: a fountain pen manufacturer, Mr Shaeffer had himself been stepped on by the Federal

Trade Commission, which forced him to discontinue advertising his product as "lifetime," because his company exacted a service charge for repairing those of its pens that proved to be less than immortal.

The two Commerce officials quickly persuaded the Post Office Department to suspend the fraud order, and then fired the Director of the Bureau of Standards, Dr Allen V. Astin, a man of great scientific renown. Mr Weeks testified to the Senate Small Business Committee that he had asked for Dr Astin's resignation on the grounds that the Bureau of Standards' tests were not "sufficiently objective, because they discount entirely" the opinion of the market place. Both scientific and public opinion were outraged, recognising Dr Astin's dismissal as a challenge to the scientific method and the scientific integrity of the Bureau of Standards. It was also a challenge to the policy of protecting the consumer against deceptive marketing methods which the federal government had followed for nearly forty years.

The hue and cry obliged Mr Weeks to re-examine the case, which he did through the creation of two scientific committees, one to study the Bureau of Standards as a whole and the second to look into the AD-X2 tests. Dr Astin was retained temporarily, Mr Shaeffer resigned and, after the report of the first committee, which was highly favourable, Dr Astin was persuaded to remain permanently as head of the bureau. The second committee, selected by the National Academy of Sciences, finished its report last month and completely vindicated the bureau in the AD-X2 matter. It also seems to have removed the dangerous challenge to the relationship between science and government. But whether the Administration will return to the principle of *caveat emptor* as its regulatory philosophy, or on the other hand will abide by the protective legislation enacted in Woodrow Wilson's day, will not be clear until the Post Office Department and the Federal Trade Commission decide what they are going to do about Mr Ritchie's catholicon for ailing batteries.

American Notes

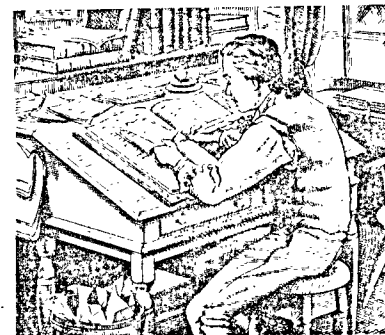
Standing Up to McCarthy

SENATOR MCCARTHY'S arrogant attack upon the foreign policies of the Republican Administration has at last provoked a counter-attack. Mr John Foster Dulles, the Secretary of State, who has sometimes been accused of too great a tenderness for Congressional prejudices, had the courage to launch the assault upon the Senator from Wisconsin. In the free time which Senator McCarthy somehow browbeat four wireless networks into giving him, ostensibly to reply to President Truman, he criticised the Administration for not "liquidating the foulest bankruptcy of the Democrats": securing the release of American prisoners of war from "filthy Chinese



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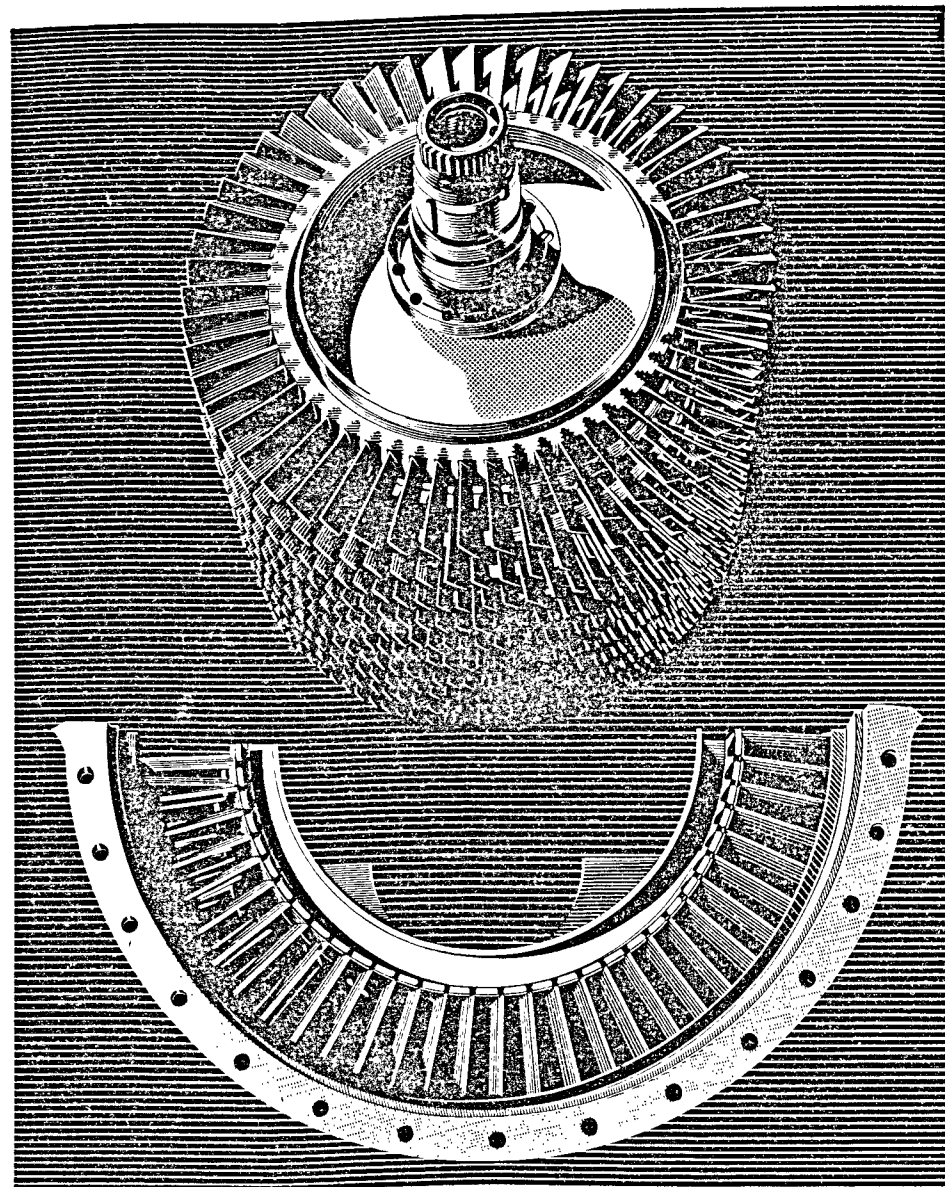
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dungeons." Senator McCarthy suggested this could be done overnight if only Britain were forced, by a threat to cut off foreign aid, to end its trade with Communist China. "Perfumed notes," he insinuated, were still being used in place of two-fisted action.

It was by this offensive phrase that Mr Dulles identified Senator McCarthy in an admirably phrased statement which had been approved by the President. In it Mr Dulles insisted that the criticism struck at the heart of American foreign policy, whose aim it is to treat other free nations as equals; he denied firmly that, because it was in the interest of the United States to help certain countries, this gave it the right to dictate their policies, and he insisted that he would not squander any of the nation's precious assets of allied friendship by "blustering and domineering methods."

In his press conference the next day the President not only reinforced everything his Secretary of State had said, but also took up the Senator's other challenges, which must have rankled even more at the White House: his arrogant insistence that, whatever "well-meaning persons" said—an obvious slur upon the President—Communism would be a factor in the Congressional elections, and that McCarthyism would be the supreme issue; and his hypocritical assertion that the Administration's decision to retain the services of Mr John Paton Davies meant it was shielding a man who, according to Senator McCarthy, had recruited Communists and espionage agents for key posts in the Central Intelligence Agency.

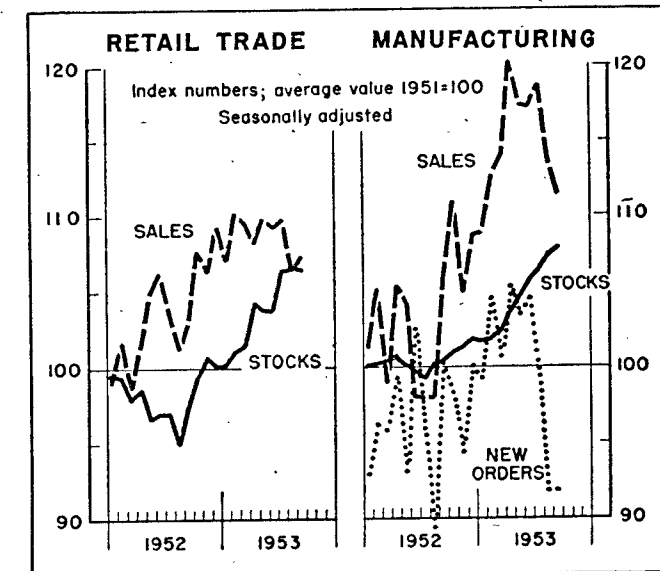
In his reply the President reiterated his conviction that disloyalty in the government service would be dealt with so effectively that soon it would no longer be a danger, and that a Republican victory next year would depend on whether the party carried out a constructive programme, not on any Communist scare. The President's emphasis on the need to protect the rights of loyal citizens came to the real heart of the case against McCarthyism. They are welcome words from a President whose Attorney-General a few weeks ago seemed bent on "taking McCarthyism away from McCarthy," and a sign that the President and other Republicans realise there can be no compromise with the Senator who is turning his notorious methods against his own party to further ambitions which begin to look as though they were seriously aimed at the White House.

Santa to the Rescue?

THIS year America's shopkeepers are counting on Santa Claus not only to fill their pockets but to empty their shelves. He has to do more than, as usual, break all previous records for Christmas trade; he has to make up for the warm autumn which kept people out of the shops. Retail traders know very well that the man who has not bought a new overcoat before the beginning of December will probably do without it for the rest of the winter. But they hope that he will spend the money thus saved on Christmas presents for his family. Last Sunday would have seen the beginning of a spectacularly tempting display of Christmas advertising in New York if the newspapers had not been shut down by the photo-engraving strike, which is having serious repercussions on retail trade.

It is unfortunate that the unseasonable weather should have affected the clothing trade so seriously, for that was one section of industry which seemed to have completed its "readjustment," after a long period of poor business, and had its stocks, sales and new orders healthily balanced. In the early autumn it was the durable goods trades that were responsible for the failure of business to increase as usual at that time of year, and by November dealers' complaints about excessive stocks had at last persuaded automobile makers to reduce their output substantially.

The effect of this on automobile workers' earnings will be offset to some extent by the increase of two cents an hour which is coming to them as the result of the latest rise in the consumer price index. The rise is the result of increases in rents and service charges which have offset



declines in commodity prices. This means also that the total amount spent on services has gone up faster than have other types of consumption expenditures and explains to some extent the present difficulties of retail traders.

But consumers still have plenty to spend, both from current incomes and from savings, and they will have more next year when reductions in personal income taxes take effect. A special survey recently undertaken by the University of Michigan's Research Centre, which is renowned for the accuracy of its forecasts of consumers' intentions, suggests, rather unexpectedly, that they are as, if not more, ready to buy than at any time in the last two years. This readiness is inspired by present prosperity and stable prices, but it is accompanied by some pessimism about the future, which may make consumers more inclined to have than to spend when it comes to the point.

Waterfront Rivalry

THIS week the concentrated drive to clean up New York's crime-infested port got to the point of getting rid of some of the dirt; but dust must fly and mud be thrown for many more weeks before the New York and New Jersey waterfronts can look attractive to the shipping companies

and foreign traders that use them. Since last Tuesday all men employed on the docks have to be registered and all employers licensed; on that day many longshoremen refused to cross picket lines manned by those whose criminal records had made them ineligible for registration. But the work stoppage was over as soon as the pickets had been called off by the police.

The unregistered dockers were some of the members of the now independent longshoremen's union, which was turned out by the American Federation of Labour last September for its failure to purge itself of criminal elements. To save itself from being further weakened by the registration requirements the union, after an unsuccessful attempt to have them declared illegal, advised its members to try to comply with the regulations. The rival new union, which the AFL set up as a replacement, has also condemned this "regimentation" of longshoremen and has promised to work for repeal. It argues that the regulations will no longer be necessary, once the new union is established and the "mob element" swept off the docks. This argument should appeal to the dockers whom the new union is trying to enlist in as large numbers as possible before a vote is taken on whether it or the old union should be the official bargaining agent in wage negotiations with the employers. To give itself more time to collect members, the new union is trying to postpone the vote as long as possible, by starting various legal arguments before the National Labour Relations Board, which conducts the election. The men are at present working without a contract and are prevented from striking by an injunction under the Taft-Hartley Labour Act. This expires on Christmas Eve; and if, as seems possible, the new union's delaying tactics are still holding up the signature of a contract in New York, then that port may have yet another strike.

Meanwhile the old union has been trying to tidy itself up by casting off its president, Mr Ryan, who had condoned the criminal infiltration of the union and is himself under indictment for misappropriation of union funds. But Mr Ryan's retirement was generously provisioned with an annual pension of \$10,000 and an expression of the union's complete satisfaction with his management of its affairs for the last twenty-five years. It is not surprising that the AFL has condemned this attempt at reform as farcical and has refused even to consider allowing the old union to return to the federation.

Jewel of a Metal

SENATOR MALONE, who has been taking the government to task for buying today's metals abroad when home mines could provide them, has now arraigned it for setting its sights too low on tomorrow's metal, titanium. In this he has had the enthusiastic support of the Air Force, which sees no likelihood, in the near future, of satisfying its appetite for a metal whose lightness and strength, particularly at high temperatures, make it ideal for jet aircraft. Its resistance to many corrosive acids also wins it a high priority for guided missiles. If it were cheaper, the Army and Navy would use titanium to lighten equipment; and beyond lies a range of civilian demand which the Paley Commission estimated might, if the price fell far enough,

rival that for stainless steel. Moreover, the ores from which titanium is extracted are plentiful both in Canada and the United States, so that in time of war it might replace alloying metals which have to be imported.

Consequently, the government's goal of a production of 35,000 tons a year seemed suspiciously small to Mr Malone and alarmingly so to Mr Talbott, the Secretary of the Air Force. In the industry's view, however, it may err on the side of optimism. Over \$100 million of government money has been invested in titanium extraction plants since 1948 (titanium was produced, commercially, for the first time in 1946). Yet production this year is likely to amount to about only 2,500 tons. Contracts have been let for only just under 14,000 tons.

The obstacle is not niggardliness on the part of the government, but the high cost and cumbersomeness of separating this coy metal from its ores by the Kroll process, the method now in use, and the suspicion that the research being energetically carried on for both the government and private firms may uncover new and cheaper methods which will make today's equipment obsolete. If the government were not ready with loans, which can be repaid in metal as well as dollars, and which can be cancelled out if new processes make present ones out of date during the life of a contract, there probably would not be three firms in the field already and others on the horizon. Titanium sheets sell for \$20 a pound, fifty times as much as aluminium sheets. Until such prices can be reduced titanium will remain a jewel of a metal, too dear and too scarce, no matter what Senator Malone says, for almost anything except the most urgent military uses.

SHORTER NOTES

Owners of costly long-playing records are now able to protect them against the damage done by a needle which is wearing out. A blank record, made of very soft material, which is now on the market, turns grey when played with a needle which is approaching the danger point.

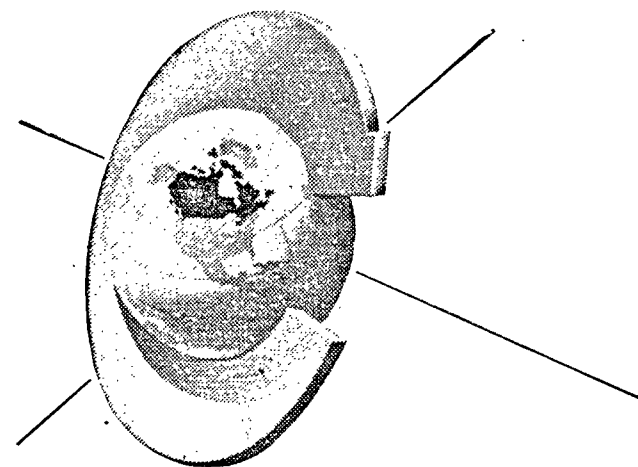
★

The Justice Department has deported 536 alien criminals and 42 subversives since the present government took office, and now has deportation cases pending against a further 131 criminals and 142 subversives, the Attorney General's office reports. The office has been helped in expanding and intensifying its programme of deporting undesirable aliens by the terms of the new McCarran immigration act.

★

Between May and October 1,456 federal employees left their jobs for reasons of security. The White House announcement said that 863 were dismissed and the remainder resigned when they discovered that the government was considering detrimental information against them. All but five were holdovers from the Truman Administration. These are the first fruits of the President's determination to keep his own house in order, without Congressional assistance, and of the new security regulations introduced in April. The Post Office has dismissed 166 of its staff on security grounds and the State Department 306 Americans and 178 foreigners employed abroad.

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After Sudan's Elections

FROM OUR CORRESPONDENT IN CAIRO

THE severe defeat inflicted on the Umma party in the Sudan general election cannot be explained merely by Egyptian money and propaganda. From the depths of their present despair the Umma would have one believe it can, for otherwise they would have to admit the falseness of that long-standing conceit which identified the Sudan independence movement with the Umma. One cannot speak of evidence in this vast and varied country, but it is possible to point to a lack of evidence that any major interference in the elections occurred. Anglo-Egyptian recriminations have tended to obscure the fact that the Sudan Electoral Commission which Mr Sukumar Sen led through the labyrinthine detail of these elections, has been unable or unwilling to question the results. The commission has never suggested that the results were grossly perverted by Egypt. One must conclude, in these circumstances, that the elections were, in the first place, a rejection of a leadership which, largely by a policy of co-operation with the British administration, the Umma party has appeared to enjoy. The Umma has paid the price of its complacency before and during the elections. It is in part the victim of a growing radicalism which disliked its wealth. It has even suffered for its commonsense, which saw in co-operation with the British administration the simplest method of advancing to self-government and independence. Nationalism of the type engendered by Egypt thought otherwise.

Nor is it possible to avoid the conclusion that the elections are a vote against the British administration. The propaganda of the victorious National Unionist party was a consistent attack on the British administrators and their "tools" the Umma. Those people who entered the elections under the banner of the NUP tacitly accepted that line and, indeed, made one of the principal points in their propaganda a promise that they would expedite the Sudanisation programme. As that programme consists largely of removing British people and replacing them by Sudanese, the candidates were, at the very least, tacitly accepting an anti-British party programme. Sayed Mirghani Hamza, one of the most influential members of the party executive, put his anti-administration policy at the forefront of his plans. Only "practical considerations," he states, will limit the speed and extent of Sudanisation.

The Umma party and the British administrators have gone down together, and they have not gone down fighting; for the party underestimated the opposition against them

and the latter had neither the right nor permission to resist. In the circumstances it would seem wrong now for the Umma to provoke—as some suggest they might—a constitutional breakdown which would justify the interference of the Governor-General. If, taking into account the immense difficulties facing elections in the Sudan, these elections can be considered a reasonable expression of opinion, the future lies with parliament.

But, if the NUP is anti-British administrator, it is not necessarily anti-British nor pro-Egyptian. Even the rump of the Socialist Republican party, which was intended to canalise the independence movement of the Khatmia sect, has a place under the party banner and such men as Mirghani Hamza, who represent the Khatmia sectarian element in the party, are forthright in their statements that the Sudan must have its own parliament, its own government, its own army; that there can be no question of Egyptian domination or supremacy. It is to be, in the case of Egypt, an equal partnership on matters of common interest, such as the Nile water, defence and economics.

What is most interesting about this theory is that the propaganda for unity of the Nile Valley has ignored the fact that the Nile creates potential conflict, not unity. Its waters were divided in Egypt's favour by Englishmen, not by Sudanese, and the orderliness of the country under British administration has ensured the smooth working of an agreement which has become increasingly distasteful to the Sudan, which now needs more water than it is allowed to take from its own river. The Nile, too, has created the cotton fields of both the Sudan and Egypt, which now compete to sell their best cash crops. While the NUP believes, sensibly enough, that the two countries should enjoy good relations, the maintenance of that relationship is going to need more statesmanship than appears in an election campaign. Indeed, from Egypt's point of view, the need for a friendly Sudan hardly justifies the hate which it has created in the defeated but powerful Umma.

What Egypt has gained in these elections is the opportunity for further penetration under a government which is not, as an Umma government would have been, constructed to resist. Its task will be easier because the government will expedite the departure of British officials. Whether Egypt's relations with the Sudan will in the long run prosper thereby remains to be seen. One thing is certain. The Sudan has a difficult time ahead.

Mr Malenkov and the Housewives

ON Stalin's grave his successors promised the Russian public more freedom and better conditions of life. The first pledge did not survive Beria's fall; the second apparently stands as firm as ever. The latest decrees and the speech of the minister of home trade—A. Mikoyan—gave concrete short-term goals. The picture slowly emerges of an emergency three-year plan to improve the consumer's lot. The targets inherited from the Stalinist era are stepped up in varying degrees. For foodstuffs and the staple products of light industry—such as textiles—the increase is relatively modest. Where the additional plan breaks new ground is in its emphasis on durable consumer goods, on the projected mass production of items, which hitherto were known to the broad public only through propaganda. The most interesting of these targets are summarised in the following table.

SOVIET PRODUCTION*
('000 units)

	1940	1950	1954 Plan	1955 Plan	1956 Plan
Watches and clocks ..	2,550	7,200	16,800	22,000†	23,000
Wireless sets	200	1,080	2,860	3,770	4,400
Television sets	...	...	325	760	1,000
Bicycles	270	...	2,510	3,445	3,800
Sewing machines	180	500	1,335	2,615	3,000
Electric irons	...	485	3,550	4,375	...
Vacuum cleaners	...	100†	243	500	...

* Population now about 210 million, of which 80 million urban.
† Of which 7.1 million wristwatches. ‡ 1953.

In all assessments of the east-west power relationship the western superiority in steel and engineering was always partly offset by the large share of American—and the small share of Soviet—capacity devoted to the satisfaction of consumer demand. The new policy inaugurated by the Kremlin must in the long run reduce that discrepancy. Why should Russia's new rulers allow the balance of power to be thus tilted against them? Partly because with the power at their disposal they must feel they can afford certain concessions; chiefly, because they cannot run the risk of throwing both pledges into the dustbin. Great hopes were raised after Stalin's death. Some even thought that a degree of democracy would be reinstalled, first into the party and then into other assemblies. Since these political hopes were shattered, another outlet had to be found for ventilating grievances. Encouraged by the example of Malenkov, Khrushchev and Mikoyan the consumers have begun to voice their complaints. After years of silence the voice of long-suffering millions can now be heard. They have been offered the radio microphone, columns in the press, the assistance of the best *feuilletonists*, and complaints now echo from the Pacific to the western confines of the Ukraine. The soloists, like Mr Mikoyan, can only be properly understood against the background of this complaining choir.

In this consumers' opposition the housewives are front-benchers. Why—asks a Moscow mother—are all children's clothes dull and dark? Here, even these would be welcome

—echoes the voice from Tiflis—here you can scarcely clothe your children at all. Three million children are born every year—argues another—but prams are scarce and their price beyond the average purse. You cannot in certain provinces get even a chamber-pot for your toddler. Women, however, are most vociferous on the subject of time-saving gadgets. Lenin's dictum that only socialism can deliver the woman from her sink slavery is quoted and requested with a vengeance. Yet, the gadgets are there. They are to be found in exhibitions, shows and displays, but the angry housewife is turned away with a regretful: "Not for sale." Toasters, electric irons, washing machines excite women's imagination. Pressure cookers cause special enthusiasm. In one place they appeared a year ago, a few hundred were sold and now they have again disappeared from the counters. Some articles are to be found in one province, while they are unknown in another. Many highly desired objects have to be shunned because of their defects, because of lack of spares and accessories. What use a washing machine from which you cannot pump the water, a vacuum cleaner which with one part broken must remain unused for ever? Tinned goods may be very attractive, but how do you get at them without a tin opener? This catalogue could be continued *ad infinitum*.

A Market for M. Dior?

On the subject of dress and fashion views are divided. Some women demand well-made, but sober and cheap goods; others begin to dream of luxuries and stylish dresses. All, however, agree that at this stage there is little scope for femininity to assert itself. We are told about a naive lady of Talin who thought that stockings were made to be worn and complained bitterly when the foot came off immediately. Even a small improvement in supply carries the feminine fancy away and another provincial lady—this time from Sverdlovsk—dreams of dressmakers, and of *ateliers*, in which customers will be able to watch themselves in mirrors. Finally the privileged women of Moscow clamour for silk dresses, fabrics for evening wear, for soft crêpe de chine, etc. Is M. Dior eyeing the Moscow market?

If the men sing softer in this choir, their complaints also cover a vast range of topics. Here, too, provincials are worse off than the big-town dwellers. A Leningrad worker complains that badly produced blades hurt his face. No matter, provincial skins are harder: in six months a firm palmed-off 20 million defective blades in the provinces. People flock to Moscow for shopping whenever they get the opportunity. They buy not only for themselves, but for the family and friends as well. Glasses are in particular demand. "...All run to opticians—reports a Muscovite—but the two shops cannot satisfy the needs of everybody." A father describes how he proudly acquired in Moscow a big bouncing ball for his daughter, how it shrank into pear shape on the return journey and how at home they had to look at it through a magnifying glass. They saw on the ball the stamp: "first quality."

Leaking fountain-pens, hotels where guests are most unwelcome, dirty restaurants with slovenly waiters come in for a great deal of criticism. A witty Russian denies the truth of the saying that "appetite grows with eating": in Moscow's station buffet, sitting in front of a dirty tablecloth and waiting half an hour for every dish exactly the opposite tends to happen. Men also have their fashion problems. A Russian factory has apparently managed to produce a jacket in which the strongest men look tubercular. The

most ventilated grievance; however, is probably about the lack of the simplest tools for jobs around the house, and the acute shortage of spares for everything.

The newly opened complaints' book is being filled with extraordinary speed and the griefs of the relatively privileged and the under-dogs are to be found side by side. The seamy side of the industrial revolution, camouflaged for decades, is now described by thousands of pens. Yet, too much should not be made of this consumers' rebellion. It is a legalised opposition, tolerated on such a scale because the government probably intends to satisfy some at least of its demands. True, the new course, if followed consistently, is bound in the long run to have important political repercussions. Plentiful wireless sets, for example, will shatter the iron curtain, but will Russia still need a curtain so much in such circumstances? The satisfied consumers may begin clamouring finally for their political rights. Will the dictatorship then agree to "wither away"? All this is in the domain of long-term speculation. One thing seems certain: having embarked its Spartan troops on the road which leads to "Athenian decadence" the new regime can hardly hope for an orderly retreat. But although the new economic policy may be cutting the ground from under the foundations of the dictatorial regime, at first it must strengthen the position of the new rulers.

Nato Prepares for the Annual Review

FROM A CORRESPONDENT IN PARIS

THE third Annual Review of the North Atlantic Treaty Organisation is nearing completion at the Palais de Chaillot, and on December 14th the Foreign, Finance and Defence Ministers of the 14 Nato nations will assemble there in the Atlantic Council to receive this report on the past year's progress and draw up plans for 1954. The past year has been more one of consolidation than of innovation, with emphasis on the building up of support units and the improvement of both the quality and equipment of Nato forces, rather than any marked increase in their size. The high light of the year's achievement is undoubtedly a one hundred per cent increase in support units and considerable improvement in base facilities, training of reserve divisions, air support and cover, supply and transportation—in fact, the general second line facilities on which a modern well-balanced army depends.

The preparation of the Annual Review has gone much more smoothly, rapidly and efficiently than was the case with its two predecessors. Lord Ismay's staff now know their jobs thoroughly and have at their finger-tips such assorted and important data as the correct designation and state of preparedness of all the important national units, together with their locations, commanders, and the amount of training and equipment received. The new method of preparing the Review, instituted a year ago, appears to have worked well. Several delegations think that the questionnaire is still unnecessarily large. It is also suggested that one or two of the member countries have not enough highly trained civil servants to permit them to devote the necessary time to compile all the complicated information now required. In the past each delegation was

able to insert on the questionnaire sent out to all fourteen governments any matter it wished, whether or not it had any real bearing upon the problems under discussion or even whether it was of military or economic value to the alliance. This year the initial questionnaire was drafted by the secretariat. The replies have been shorter and much more to the point and the drawing up of the Review consequently far simpler. The Standing Group will meet here on December 7th, followed by the Chiefs of Staff on December 10th; and on December 11th and 12th there will be a joint session of the Military Committee and the Permanent Council to iron out the last difficult points before the Ministers assemble on December 14th.

To Prune or Not to Prune

It is generally anticipated that the Council will call for a general levelling off of expenditure. The international staff at Nato, taking their lead from London, Washington and Paris, does not appear to be gravely perturbed by this prospect; but the military leaders, who consider that Western Europe is still inadequately armed, will certainly press for at least the same total expenditure as this year. One or two of the smaller powers at present strongly support the military viewpoint. They claim that the only material achievement of Nato so far is infrastructure with its 140 air bases either in construction or completed, and the signals and fuel supplies which complement them. At the moment these members of the permanent council refuse to accept the "levelling off" process which is envisaged in Washington. The Atlantic Council, in their view, must not be allowed to mark time. The same delegates believe that the truce in Korea has not lessened tension between east and west.

The Council is most unlikely to discuss Germany's admission to Nato, as there is a feeling it would be wiser to await the results of the ratification debate on the European Defence Community in the French Assembly. However, the secretariat has already considered possible methods of liaison between the 14 Nato countries and the EDC. The most serious obstacle seems to be that Nato decisions must be unanimous, whereas the EDC treaty calls for a supranational authority which will automatically implement the majority decisions of its six members. Some delegates feel that the only logical solution is the eventual admission of Germany, despite the bitter opposition of France and possibly one or two other countries.

Survey of Civil Defence

The Ministers will not be harassed by the problem of sharing the burden of the infrastructure programme, as they were at the last two meetings. A three-year programme was agreed last April and all that will be necessary under this heading next month will be the task of screening each country's military demands.

Various Nato committees set up as a result of previous Council recommendations are beginning to produce results and proposals will be put before the Council next month on measures to be taken by the committees on food and agriculture, coal and steel, industrial raw materials, transport and by the petroleum planning group, in the long-term task of preparation in case of sudden aggression. In particular the committee on civil defence has produced after 18 months' work and the distribution of nine different questionnaires to member governments, a survey on a

country by country basis. This has stimulated activity in countries where little had previously been accomplished; and the resulting recommendations on standardisation of equipment, warning systems and security measures have created a feeling of confidence that in the event of air raids near a frontier, fire-fighting equipment and medical assistance could easily and rapidly be sent from the adjoining countries.

France's Case on the Saar

FROM A CORRESPONDENT IN PARIS

WHEN they deal with the Saar, French foreign ministers are on safer parliamentary ground than with the European Defence Community. The new Franco-Saar conventions signed in Paris on May 20th were ratified last November by overwhelming majorities in the French National Assembly, the Council of the Republic and the Saarbrücken *Landtag*. In all three Assemblies, only the Communists voted against ratification. Few other home or foreign issues would allow such unanimity in the French Parliament.

Since 1945 a consistent French policy has been administered by M. Grandval in the Saar. It has had two complementary objectives: economic union between the Saar and France, and the political separation of the territory from Germany, to be followed by self-government. There is now a third objective: Europeanisation.

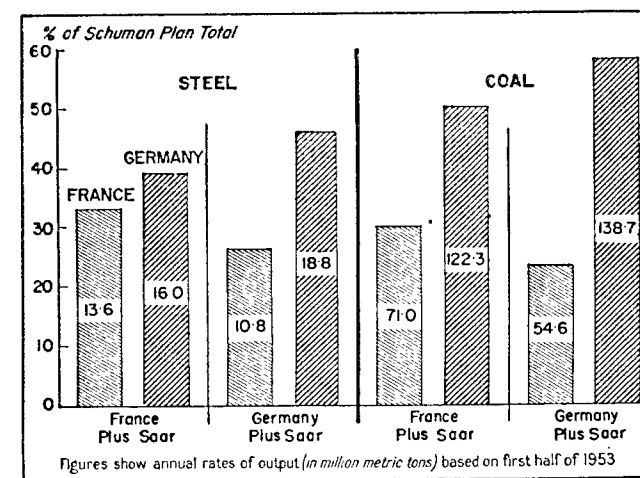
In fact, France's policy toward the Saar since the end of the war has been based mainly on its economic claims. It should be remembered that France's share in reparations was substantially reduced when Britain and the United States agreed to the economic union in 1947-48. Moreover, the economic interdependence of the Saar and Lorraine is so close that the French have been able to produce a confidential Nazi memorandum which emphasises this even more strongly than their own experts. France is the best customer of the Saar coalmines, and the Saar blast furnaces get practically all their iron ore from nearby Lorraine, on which they are much more dependent than on Ruhr coking coal. Moreover, the secondary industries which have sprung up since the war find their best market in France, and it is generally believed that reunion with Germany would wipe them out since they could not stand up to German competition. The Saarlanders' larder can be filled much more easily with French than with German food. The setting up of the European coal and steel pool has increased rather than reduced French insistence on having the Saar coal and steel production added to their own because, if it were restored to Germany, it would make German preponderance in the pool quite overwhelming.

The French are proud of the results achieved since the economic union was put into force in 1946-47. The rise in coal and steel output, combined with practically full employment has always compared favourably with conditions in Western Germany. All the same, a number of Saarlanders—especially the Socialists—complained until last year about the management of the coalmines by a French *Régie*. This was one of the reasons why new Franco-Saar conventions were worked out last spring to replace those signed in 1950. Under the new regime, a public corporation, managed on a full parity basis, is to supersede the *Régie*; it is hoped that the future peace

settlement will allow the Saar to take over complete ownership. The economic and currency union remains, but now French economic laws and regulations will be applicable in the Saar only through Saar *ordonnances*; where Saar interests are principally concerned, the Saarbrücken government will be consulted. Differences are to be settled by a joint commission or a court of arbitration with equal French and Saar representation. The Saar government can claim that, for the first time in their history, Saarlanders are to participate in the management of their own mines.

The Saar representatives in the Paris negotiations strove hard to get French concessions in all fields. The promises they obtained concerning the Warndt coalfield which has traditionally been mined from Lorraine, raised an outcry in Lorraine industrial circles. M. Hoffmann and his colleagues certainly did not behave like French puppets. Do they, on the other hand, behave as true representatives of the Saar people? The working of the Saar parliamentary regime could not perhaps be described as purely

THE STAKE IN THE SAAR



democratic, even though, under the new conventions, M. Grandval will no longer retain his right to veto Saar legislation. The strongest point in the German case on the Saar is that pro-German political parties have been banned. The French and Saar governments reply that the law governing the creation and activities of political parties in the Saar was copied from the Bonn fundamental law: the Saar government can ban all political parties which tend "to threaten the existence of the Saar as based on its constitution" exactly as the Bonn government is entitled to dissolve those political parties which tend "to destroy or to impair the existence of the German Federal Republic." Why, the French say, do the Germans attack in the Saar what they are doing at home? The Saar autonomous State no less than the Federal Republic, must be allowed to protect itself. The French and the Saar ministers claim they have good reason to fear the consequences of inflamed campaigns by German political parties in the

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Saar, when they remember the threats and pressure before the 1935 plebiscite or even the German campaign on the Saar border a year ago.

In the general election in November, 1952, 64 per cent of the registered voters supported the political parties which form the present coalition, the Christian People's party and the Socialists. The German political parties had vehemently asked Saarlanders either not to vote or to spoil their ballot papers; 7 per cent abstained and less than 23 per cent spoiled their papers. Even if one maintains that all the latter were meant to be votes for reunion with Germany, it would be rash to assume that all those who abstained did so in obedience to the exhortations from across the border. German newspapers are allowed to circulate in the Saar and the people are not forbidden to listen to German broadcasts. The electors knew what the German political parties wanted them to do. In the French official view, therefore, the result would not have been substantially different, had these parties been allowed to run their own candidates.

A Say For Germany

The Saar political parties which were supported by two-thirds of the electors last year have come out in favour of Europeanisation. The French think, however, that Saarlanders should have their final say only in a referendum, when they have been presented with a draft of a European statute. This draft should be worked out by agreement between France and Germany. After ratification by the Saar population, it should be enforced not as a provisional, but as a final solution: on this the French agree with M. Van der Goes van Naters' report to the Council of Europe last summer. The French welcomed his plan as a good basis for discussion, but they objected to some of the economic clauses. They insist that the Franco-Saar economic union and joint management of the mines could be combined with Europeanisation, provided that suitable changes are introduced into the Franco-Saar conventions: indeed, France and the Saar specifically pledged themselves last May to adapt the conventions to an eventual European statute. But the union should remain in force until it can be merged into a unified European market with a common currency.

Of course, a European statute would further reduce French prerogatives in the Saar and give Germany a say in Saar affairs, although Germany could intervene only through international organisations. The French therefore consider that, in agreeing to Europeanisation, they are making concessions as well as the Germans. They never denied the Germanic character of the Saar: in the Saar University which they have created, about 40 per cent of the professors are of Saar and 20 per cent of German origin. But all French Cabinets and non-Communist political parties have adamantly maintained that the Saar must, like Austria, remain separate from Germany. As M. Van der Goes put it in his report: "The Saar has become for France the very test of German sincerity." This is precisely why French governments have come to intertwine so closely the future of the Saar and the EDC. Only after Germany has agreed to a Europeanised Saar statute could a French government hope to get any form of German rearmament accepted by the French Parliament. For the *Bundestag* this may be hard to swallow. But is it not clear now that any French Prime Minister will face even greater difficulties when he tables the EDC ratification bill?

Finland Fills Some Gaps

THE new non-party Finnish government, headed by Mr Tuomioja, the Governor of the Bank of Finland, seems likely to ride the storm for a little while; but it provides no lasting solution to the problem of mutual hostility between parties, which brought down the minority Agrarian government of Mr Kekkonen early in November. Elections are due next July—many voices are being raised to urge that they be held earlier—and Mr Tuomioja's cabinet of "technicians" won acceptance only as a temporary device to break the party deadlocks. Yet these caretakers may be able to adopt a stricter economic policy than any of the parties could have put through; for Mr Tuomioja's hand is strengthened by the fact that he is, so to speak, a short-term scapegoat, free of political ties and old promises, and personally unaffected by the electioneering manoeuvres that are already beginning.

This financial Fabius has been called on to save the republic after a year troubled by the absence of the discipline previously imposed by the need to deliver reparations to Russia on time. The problem now is whether he can supply a substitute internal discipline. There are some favourable straws in the wind. Drastic cuts in imports have brought Finland a small favourable trading balance in recent months; and although some industries have suffered from these cuts, it must be remembered that if the country is ever to get on an even keel again, the paring down of uneconomic branches of industry must be an essential, if painful, part of the process. The vital forest industry is still losing money on each ton of pulp sold, but less than in the summer, and its activity and sales have slowly increased; and devaluation has been partially achieved, in substance, by a variety of devices.

Mr Tuomioja can also draw somewhat unexpected comfort from the friendly atmosphere in which the new trade agreement with Russia was signed last week. Previously, the idea of a non-party government had been bitterly attacked both by Finnish Communists and by Moscow itself; and the offer of a Soviet loan and other favours made privately to Mr Kekkonen shortly before his fall was generally interpreted as evidence that the Russians were bent on keeping out Mr Tuomioja and his largely right-wing colleagues. Now it seems that they have been accepted with a fairly good grace—although the Finnish Communists are still denouncing them as a "big business" government "bound up with the Atlantic bloc." The Russian change of front is regarded by many Finns as meant to show that Moscow will deal with almost any party except the Social-Democrats, who are still the Communists' mortal foes in Finland.

Malan's Africa Corps

FROM OUR JOHANNESBURG CORRESPONDENT

AS far back as 1935, Mr Erasmus, South Africa's present Minister of Defence, took a deep interest in military matters, even if his knowledge, at that time, was not quite as profound. Thus in the House of Assembly, in that year, Mr Erasmus was loudly objecting to the fact that a number of South African regiments had "English names." He stated

the reason for his objection clearly and emphatically. There were, he said, regiments with such names as Prince Alfred's Own Cape Field Artillery, the Duke of Edinburgh's Own Rifles, and the Cape Town Highlanders. "If," Mr Erasmus pointed out, "we were to take the field against Great Britain, the names of those troops would cause confusion . . . I especially fear our troops with kilts would get mixed up with the Highlanders from Scotland."

Perhaps in 1935 Mr Erasmus was only joking. But, in 1953, he has taken steps which almost suggest that he was in earnest. The process, in fact, began long before this year, as far back as the Malan government's advent to power in 1948, when Major-General Evered Poole, who had been General Smuts's Deputy Chief of the General Staff, was packed off to Berlin to head an obscure military mission. Since then there have been a good many other significant staff changes, and Major-General Poole has now been dispatched to Chile.

Recruiting for South Africa's equivalent of Britain's Territorial Army begins in the schools. The ardour of potential young English-speaking recruits has been considerably damped by Mr Erasmus's decree that English college cadets in Grahamstown shall not be allowed to wear their traditional kilts. Instead, they are compelled to wear peaked caps like those worn by Rommel's Afrika Korps. Other school cadets are thrust into uniforms formerly worn by Mussolini's troops, which Mr Erasmus has apparently bought up in job-lots.

There have been frequent complaints among disgruntled veterans of the second world war about some of Mr Erasmus's military appointments. To take only one example: an Orange Free State regiment formerly commanded by an officer who fought at El Alamein is now commanded by a junior who was a university geology lecturer and who was commissioned only in 1950. The political party to which Mr Erasmus belongs was, of course, opposed to El Alamein being fought at all: one of the Nationalist newspapers openly rejoiced at what seemed at the time to be crushing South African defeats in the Western Desert.

Tinkering and Tailoring

Mr Erasmus's latest plan is to "couple" existing units. Fourteen existing regiments (mainly those with "English names") will become seven. For instance, the first and second battalions of the Transvaal Scottish will be melted down into one. There will be only one commander to two coupled units, but Mr Erasmus has generously promised that "surplus" officers will be retained as "super-numeraries." This compression of existing regiments with long and honourable traditions will no doubt help to minimise confusion (taken in conjunction with the banning of the kilt and the wearing of Rommel caps) if South African forces should ever take the field against Great Britain. But Mr Erasmus apparently feels that some confusion might still remain, so he has decided to rename a number of regiments. Thus, Princess Alice's Own is to become the Pretoria Regiment, and is to be Afrikaans-speaking only: at present, the regiment consists of one English-speaking and one Afrikaans-speaking battalion. During the war, men with names like Johnson and Van Niekerk, Smith and van der Merwe, did in fact fight quite happily side by side, in the same regiment.

Some of the new names which Mr Erasmus has approved for his regiments have caused a certain stir. Thus an East

Rand regiment is to be called after General Kemp, who joined the pro-German rebels in 1914. The Botha Regiment will become the Christian Beyers Regiment; General Botha was the Union's first Prime Minister, while Christian Beyers went into rebellion against the Union Government in 1914 and was subsequently drowned while eluding capture by Botha's loyal forces.

The Middelands Regiment is to become the Gideon Scheepers Regiment. Gideon Scheepers was a Boer War guerilla leader whom the British executed in 1902 at Graaft-Reinet, the headquarters of the Middelands Regiment. When the change of name was announced, all the officers of the Middelands Regiment, including men who regard themselves as being as good Afrikaners as Mr Erasmus, promptly resigned.

It is as a result of these activities that Mr Strauss, the leader of the United Party Opposition, has indignantly described the Minister of Defence as "a glorified military tailor." Mr Erasmus's answer, which appears to have statistical backing, is that by far the greater number of recruits now coming forward are Afrikaners, who wish to be trained in their own language and to join Afrikaner units: the renaming of regiments is, he maintains, an inducement to these Afrikaner recruits. He has not so far dwelt on the severe disinducement to English-speaking recruits provided by his banning of kilts, introduction of the Rommel cap, unexplained demotions, abolition of English-speaking battalions, and renaming of regiments. And the Nationalist newspaper, *Die Transvaler*, is perhaps franker than the Minister; telling "the jingoes" that they will just have to face up to those changes, it declares: "The Defence Force must become Afrikaans."

Unfortunately, the English-speaking South Africans appear to be as confused on this issue as they are on most others. Mr Erasmus's policy could be challenged on a number of grounds. But Brigadier-General G. M. J. Molyneux, the honorary colonel of the Royal Durban Light Infantry, chose to appeal to the Minister on the ground of the need to unite all the whites against the blacks. He said *à propos* of Mr Erasmus's weakening of the Defence Force: "The Native is a thoroughly good chap, but his ideas and ours are not by any means identical, and when these differences come to a head it is especially desirable to have a force which can strike at once and guard threatened localities." The *non sequitur* seems to make about as much sense as Mr Erasmus's former warning about the need for a new Model Army in case South Africa ever fought Great Britain.

Mexican Experiment Goes On

FROM OUR CORRESPONDENT IN MEXICO CITY

AS President Adolfo Ruiz Cortínes's administration nears the end of its first year, Mexicans have noted that the cheery dawn of reform has, as usual, given way to the harsher light of a hard day's work. That, however, is no surprise, and the President's popularity has not diminished even if the wild enthusiasm that greeted his first months in office has become tamer.

The main trouble in Mexico at the moment is that business is bad. The businessmen blame Señor Ruiz Cortínes's administration for this to a certain extent, but they do not suggest any important change in policies. They contend

that current slack buying is due to a sharp contraction in government spending; yet it is generally agreed that the government has no more money to spend and could not really improve the situation by borrowing. The government claims that in the last few months its expenditures have been normal, but a simple look at uncompleted projects in the capital and about the country shows that at least on construction items, one of the main outlays of the last government, the president is going slowly. Undoubtedly the last administration's unpaid bills are a great drain on the government, and new orders are being held up until these have been liquidated.

But government thrift alone is not enough to explain the uneasy situation of business. An important factor is simple reflection of the United States' economic jitters. In fact, any decline in American prosperity is magnified in its effect on Mexico, which relies considerably on surplus American purchasing power and capital. Furthermore, the Mexican economy has been moving through a trough of bad luck. Sustained drought has made necessary large imports of maize and beans, halved cotton exports, and, together with repeated outbreaks of foot-and-mouth disease, ruined cattle exports. The post-Korean drop in prices of minerals cut another big slice off Mexico's foreign earnings, and American tourist traffic has also fallen off.

No Quarter for Inefficiency

Probably more than most Mexicans will admit, the battle of rationalisation has also had a lot to do with the woes of particular segments of the economy. As more foreign capital and Mexican capital with up-to-date ideas is invested, the squeeze on antiquated enterprises becomes more painful. In the textile industry, for example, many factories have been working on 3 and 4-day weeks. Foreign markets have nearly vanished and even the old Central American stronghold is weakening in the face of Japanese competition. Nevertheless, firms that subscribe to the modern capitalistic tenets of reinvestments and reserves are still making good profits. The rest of the industry is demanding a discriminatory minimum wage which would force the efficient factories to pay more than the inefficient. But the government has wisely closed its ear to this plea, reminding the textile producers that they already have the protection of extremely high tariffs.

It is a sign of the state of affairs that, while all businessmen agree—and the statistics show—that current transactions are down, the scale of reaction to the situation runs from grumpy pessimism to warm optimism. The most significant examples of optimism come from large American firms that have decided to move into Mexico during the past few months. Notably, Standard Oil has obtained from Pemex, the national oil monopoly, the concession to distribute aviation fuel throughout Mexico. This is an interesting development, for Standard was one of the companies affected by expropriation in 1938, and has had little love for Mexico or the Mexican oil industry since then. Other American companies are about to enter the luboil market here, apparently confident that, despite the anticipated completion of Mexico's first lubricant plant in 1954, demand will continue to outstrip domestic supply enough to allow competition among several foreign firms.

Although the government has denied any deflationary ambitions, its economic policy has had a deflationary effect. The cost of living was forced down sharply in President Ruiz Cortiñes's first few months in office. It has since been

rising again, but the index is still several points below where it was when he took office. The most important drop has been in food, and the president has been keeping to his promise to give his prime attention to the Mexicans' basic foods, maize and beans.

On the other flank of his programme to push a little purchasing power out among the barefoot populace, he has established a policy of 11 to 15 per cent wage increases. As contracts come up for renewal, industry after industry has granted this rise. There has been considerable pressure during recent weeks for a new national minimum wage of at least 10 pesos (seven shillings) a day and perhaps 12 pesos, instead of the present variable minimum which in no case exceeds 8 pesos.

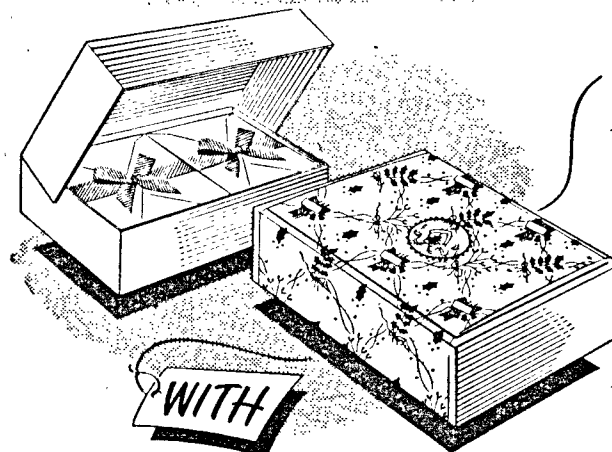
How much can be done in this direction will depend upon the success of the new taxes. The pressing necessity for revenues precludes as broad a tax reform as the minister of finance, Sr Antonio Carrillo Flores, would like to institute, but the new tax programme will make an effort to stimulate industrial investment and reinvestment and to penalise real estate speculation. Personal income tax remains insignificant but the country simply has not reached the stage of civic responsibility that would make a real income tax possible. Meanwhile export taxes are being reduced and some production taxes suspended, although these, with import duties, are the main sources of government income.

Making Honesty Pay

Neither the prospect of wage increases nor new taxes has upset the business community too much, because the current recession has forced recognition of the fact that the economy cannot expand much further without a better distribution of income. A huge gap exists between Mexico's domestic market and Mexico's population, and no economic programme can hope to succeed in the long run unless it brings the two closer together. Since the government's modest efforts in this direction are now being accompanied by a new tendency of government agencies to pay their bills, some sections of business are even delighted with the way things are going. The railways, for example, are now meeting their obligations promptly for the first time since anyone can remember. There is some resentment that they are cutting capital expenditure, but when they do get ready to make large-scale investments again, they will have far better credit than ever before.

None of this bears a direct relation to Sr Ruiz Cortiñes's honesty programme but it is all a part of what the new American firms coming into Mexico call a "more mature approach" by the government. Consolidation is the main feature of the new policy on the economic front, and behind it lies the realisation that stability and steady development are more important than spectacular public works. As for the honesty programme itself there is reason to believe that corruption has declined a good deal; there have been no reports, public or private, of graft at cabinet level. Since everyone is against sin, businessmen in theory, are pleased with this development but in fact they have not overcome the habit of trying to buy occasional indulgence. In the many cases where honesty has come to mean rigorous application of outmoded laws through fear of reprimand, the affairs of the country really have been slowed down. The problem of administrative streamlining is one to which the president must soon turn if he means to make honesty efficient.

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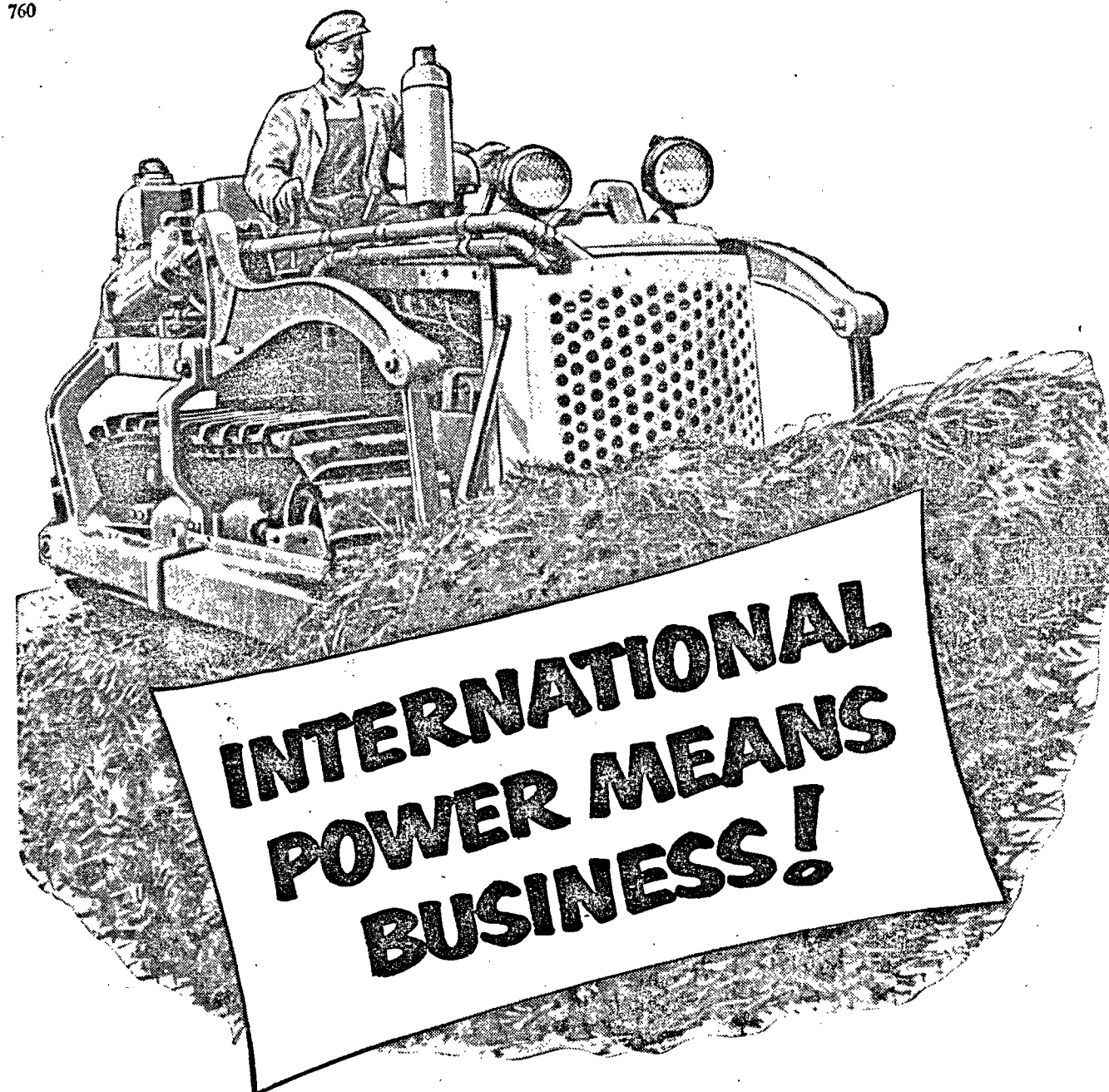
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THE BUSINESS WORLD

Extended Credits for Exports?

A NEW shrillness has been reached in the past few weeks in the pleas of industrialists and others for special financial facilities to enable them to offer extended terms of payment to prospective customers overseas. The only novelty about this clamour is its intensity. The problem itself was discussed from time to time before the war, and raised its head again almost as soon as the postwar seller's market gave place to a buyer's market. It loomed larger still when reviving German industry began to offer liberal credit facilities as the means of getting a foothold in certain of its lost markets overseas. British manufacturers tend to assume that more difficult export markets entitle them to special aid or new facilities.

Last April the Chancellor himself explained, after inquiries of "those who speak for industry and commerce," that, if there was a problem, it was not one of the adequacy of existing financial facilities but of making those facilities more widely known. After this reassurance, it seemed possible that the clamour would subside—especially when manufacturers discovered that their difficulties in competing in export markets were by no means primarily due to inadequate credit.

But in the early autumn the aircraft industry succeeded in establishing its case for special facilities. Air Finance Ltd, sponsored by three leading firms of merchant bankers, was formed with evident official blessing to provide credits of up to three years for approved export orders for British aircraft. This precedent has touched off a new wave of demands. A project for export finance for small engineering firms has been taken up by another merchant banking house, and the big banks have been canvassed for loan facilities. The chairman of a famous shipbuilding company has affirmed that overseas orders are being lost to foreign

yards through lack of credit facilities, and Mr Butler has agreed to consider how far such facilities are precluded by official regulations. This particular inquiry is apparently restricted to shipping; but in commercial banking circles, and probably in official circles too, much thought is now being given to the problem as a whole.

These signs of activity make it the more important to keep the whole issue in perspective—notably, of course, in relation to the balance of payments. Britain's external account is probably now in only tiny surplus, if any at all. If, therefore, any "working capital" fund put up in additional export credits is not fully offset by a net increase in Britain's total exports, the difference must come out of reserves (or increased overseas borrowings at short-term). But the whole of any surplus that is conceivably within range is already bespoken by Britain's actual and prospective capital commitments—for repayment of debts and participation in the development of the overseas sterling area. Unless the additional exports that might be financed by credit formed part of those overseas development plans, the scope for credit sales must be very limited.

Moreover, the credit sales must promise a net strengthening of the balance of payments in the longer run, if not also in the short. They must not displace or prejudice cash sales, as they easily could do if the relative ease of selling on credit caused manufacturers to be less pushful in difficult markets, or if the rising order-book lengthened the delivery dates. It is often overlooked that the risk of such losses would be less a function of conditions in overseas markets than of those in domestic industry. The greater the "slack" in domestic industry, the less the risk would be, and vice versa. This same consideration is even relevant to another important class of risk: credit sales must

not cause sales for soft currency to displace those for hard currency—yet the pressure for credits will come most strongly from the softest currency areas and the weakest customers. To gain a foothold in a soft market now is of little worth if there is a likelihood either that the market may be softer still in a few years time or that the instalments due may be blocked. And if credits are made available to needy but worthwhile customers, they must not automatically go to those who now pay cash.

★

One of the big dangers of establishing new or special facilities is that they might tempt strong buyers to bargain for what they do not need; and they would certainly increase the risk of a profitless "credit war" with Britain's competitors. There are signs already that international merchant houses are bargaining for buyers by representing to manufacturers that their rivals in another country can outbid them in credit. Many of the rumours of lavish credits offered by Continental firms cannot be substantiated, and many "offers" never become firm contracts. All too often, the alleged need for credit is judged merely against this backcloth of rumour. But very little business, actual or prospective, seems to have been lost to Britain solely because exporters were unable or unwilling to match the credit terms offered by competitors. The unsuccessful manufacturer will not publicly proclaim that difficulties also arose over his prices, qualities or delivery dates.

These many conditions, considered together, suggest that the scope for worthwhile promotion of exports by offering extended credits is probably not very large. Is there reason to suppose that the potential volume of credit business that might pass these searching tests could not be provided by the existing financial mechanism? The general opinion among bankers seems to be that it could be so provided, though the attitudes of individual banks to this type of business differ widely—and, as usual, there are still wider differences between the views of the manufacturers and even the most liberal bankers about what constitutes creditworthy business. Any pleas for consumer goods are beyond the range of serious discussion, which must be entirely focused upon capital goods. And some bankers would draw a distinction between heavy fixed capital equipment and more rapidly wasting capital assets, such as road vehicles, or even locomotives—which raises the paradox that they may look more favourably upon the very types of asset for which the longest credit terms are likely to be sought.

At least one of the big banks seems to be prepared, in principle, to provide liberal facilities to exporters for approved business of this kind, with credits extending up to five years, and even beyond. At the other extreme there is another big bank that apparently stands firm upon the classical principle that a deposit bank should provide only floating finance. But in all cases in which the facilities are available, an absolute condition is that the transaction shall be insured by the Export Credits Guarantee Department (notably against the risk of non-

payment by the buyer or of blocking of remittances by the overseas Government). The most liberal banking view is that, to the extent of the 85 to 90 per cent of the transaction that can be thus covered, the resultant bills are hardly distinguishable from short or medium term British Government bonds—and can therefore be safely taken "without recourse" to the drawer (i.e. the exporter), who is held at risk only on the uncovered 10 to 15 per cent but gets finance even for that portion. This is also the method proposed by Air Finance Ltd., although that company hopes to insist that the buyer shall pay at least 60 per cent in cash by the delivery date, a much larger proportion than some banks might require.

Other bankers do not rate the ECGD guarantee so highly, partly because the policy does not usually cover the risk of rejection of the goods by the buyer; they therefore insist on retaining the right of recourse to their customer. Yet another view is that the scope for business of this kind must remain strictly limited unless the ECGD is prepared to reinforce its guarantee by an undertaking to the banker to take over the transaction itself at any time on demand, even though the insured risk has not materialised. This particular plea is, of course, an attempt to reconcile medium-term lending with the classical principle of British banking.

The whole subject clearly bristles with knotty points of technique. But it appears that the modest volume of creditworthy business that has so far come forward has found a sympathetic response from most of the big banks. And similar business is being done by the merchant banks. The general opinion seems to be, too, that business that looked worth while to the banks concerned has only rarely been frustrated by official regulations.

Most bankers therefore believe that the need for these credits can be adequately met through existing channels—provided that credit terms do not become a widespread custom of international trade in capital goods. This does not mean, however, that an exporter will always find his banker receptive—even where the transaction commands the support of the ECGD. The banker will continue to look to the scale of the customer's commitments in relation to the capital resources and prospects of his business. Though the finance is in effect furnished to the buyer, its basis is the exporter's contract, even where the credit is granted without recourse. But in the less common cases where the would-be exporter is either unable or unwilling to sell on credit, and where the buyer therefore seeks finance direct, official regulations become more constrictive, and the banker may be debarred from lending beyond six months, even if he is willing to do so. It is at this point, which is particularly relevant to the problem of financing overseas purchases of ships, that there may be a "gap" in the facilities. But it is very questionable whether it would be wise to ease the control over foreign lending at this point—or to try to persuade the bankers that they ought to look kindly upon medium-term lending to foreigners direct.

Copper Earns Its Living

THAT over-worked word "boom" has lost the potency it once had upon the Rhodesian copper belt. The latest reports from the interlocking nexus of copper companies, to the end of June, in fact mark the end of a prosperous period since the war—a period in which the persistent rise in copper prices ran well ahead of costs and profit margins widened, taking dividends with them. Now, in addition to the perennial problems of getting enough labour and fuel in Northern Rhodesia, the copper producers are confronted with the economic problems of adjusting their policies to the working of a free market in copper, unprotected by any government contracts or floor prices.

How have the copper producers reacted to this situation? First, the companies—keeping their eye on the possibility that profits may fall and disregarding the highly satisfactory profits that they have recently been making—have not been particularly generous to their shareholders. Their second reaction has been the essentially negative one of refusing to indulge in forecasts. The chairman of the Selection Trust group, Mr R. L. Prain, has skilfully lobbed the ball into the shareholders' court, by declaring that he will "avoid the trap" of attempting any forecast of the financial results under the new circumstances. The trap that Mr Prain has avoided is that of murmuring the word "recession"; this is perhaps too strong a word for the immediate prospect in the copper belt and "slump" would not turn up in its vocabulary unless the American economy took a tumble.

Copper prices and producers' profits would certainly crumble if such a slump came. But for the present, calculations about the price of copper can be based on less gloomy forebodings than these. Even so, the prospect is evidently bearish. World production so far this year has been running well ahead of consumption.

The chart shows that this margin has not provoked any marked reduction in prices. For this, the Chilean Government has largely to be thanked. Having priced its copper out of the world's market early this summer, it has proved itself to be the best friend of other producers by withholding its supplies. Chilean stocks have been built up until they now amount to more than 120,000 short tons. When all the arguments are over, the greater part of this surplus is likely to be absorbed into the American stockpile; if so, the price

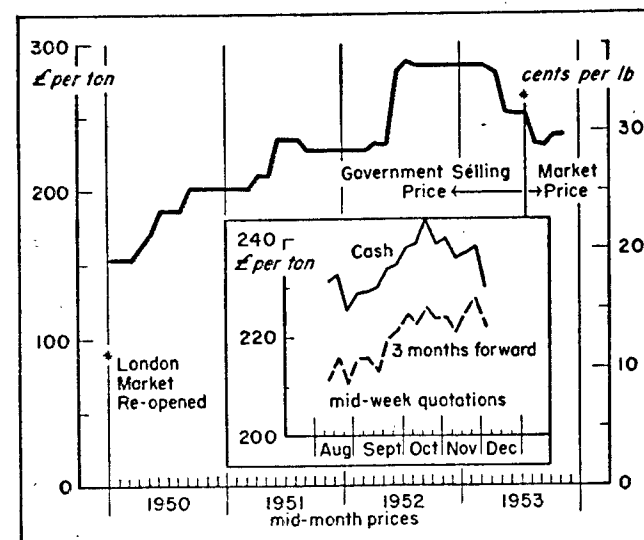
EARNINGS AND DIVIDENDS
(£ '000s)

Years to June 30	Rhodesian Selection Trust*		Rhodesian Anglo-American†	
	1952	1953	1952	1953
Earnings				
Total income	1,216	2,045	21,574	25,536
Taxation	8	4	8,060	9,951
Net income	1,117	1,797	6,176	6,715
Ordinary dividends	1,112	1,760	3,723	3,997
Retained profits	6	37	2,453	2,718
Ordinary dividends (per cent) ..	40	40	62½	62½
Ordinary Shares				
Nominal value	5s.		10s.	
Market price	13s. 9d.		48s. 6d.	
Yield (per cent)	£14 11s. 0d.		£12 18s. 0d.	

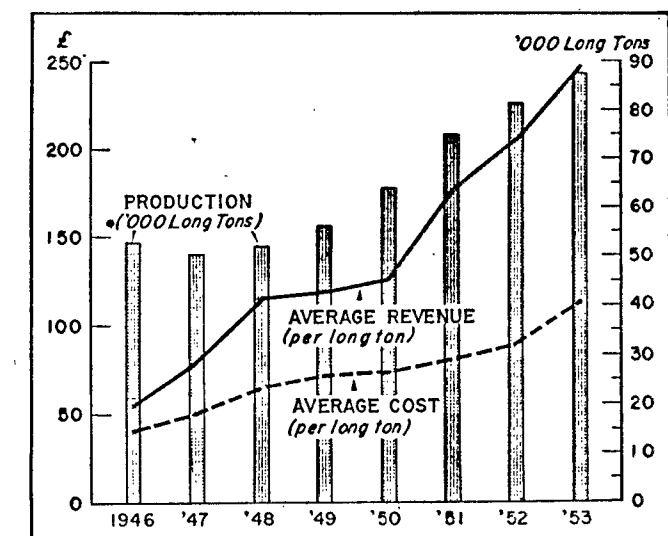
* Holds a 64.07 per cent interest in Mufulira. Chibuluma is a wholly owned sub-subsidiary. † Holds a 52.40 per cent interest in Rhokana; 38.92 per cent interest directly and indirectly (through Rhokana) in Nchanga; 26.59 per cent interest in Mufulira is owned by Rhokana.

of copper is not likely to be unmercifully hit by the sudden dumping of this surplus. But once the Chilean producers clear this stock off their hands, and resume their normal deliveries of about 30,000 short tons a month, the copper market will be squarely faced with the necessity for adjustment. The prospect of

COPPER PRICE TRENDS



ROAN ANTELOPE REVENUE AND COSTS



the eventual resumption of Chilean deliveries argues the prospect of a fall in copper prices.

What, then, are the lines of defence that the Rhodesian copper producers can hold against a fall in price of this order? They would be fortified by the fact that a fall in copper prices would automatically reduce their heavy burden of mineral royalties (paid to the British South Africa Company on a sliding scale arrangement) and bonuses; these royalties account for a high proportion of production costs—for Mufulira the proportion was 29 per cent in the year to June—while bonuses (together with pension and assurance contributions) account for another 12 per cent. Secondly, some of the companies would be protected by the preference that most consumers have for electrolytic copper over blister copper. The companies most likely to benefit from this are Rhokana, Nchanga and Mufulira, whose refinery, having produced just over 19,000 long tons of electrolytic copper in the last financial year, is now running at its rated capacity of 3,000 long tons a month. The Rhodesian producers are obviously eager to take as much advantage of the command that electrolytic copper enjoys in the market, for Mufulira intends to double its electrolytic refining capacity by 1956, while Mr Prain remarks that “it is probable that Roan Antelope” [which, in the past, has relied on the production of very high grade blister copper] “will have to go over to electrolytic refining in the not too distant future.”

Prices, however, are but one side of the profits equation; and the copper companies must be equally

concerned with costs on the other side. The chart of Roan Antelope's revenue and costs shows that since the war the Rhodesian producers have managed quite easily to carry a persistent increase in costs, because the rise in prices has outpaced the rise in costs. But now prices are threatened and they must clearly try to halt the recent rise in costs. The direct way to keep average costs as low as possible is to produce at or near full capacity. To this end, the Rhodesian copper companies have resumed their practice of selling almost all their output forward, at prices ruling at the actual time of delivery. These arrangements are not fully reflected in the latest quarterly reports of Roan and Mufulira, as the resumption of free dealings in copper has caused a delay while the companies established “pipelines” to consumers.

Plans for full capacity working, however, sometimes go awry, as they did last year, when strikes occurred and when the mines were still short of fuel. These two factors reduced Mufulira's output to just over 76,000 long tons, compared with its estimated capacity production of 90,000 long tons. Ultimately, the shortage of fuel should be solved by improvements at Wankie Colliery and on the Rhodesian railways, and also by the Rhodesian and Belgian Congo hydro-electric schemes; but this is looking some way into the future and the copper mines still depend considerably on wood fuel. Eventually, too, there may be a settlement of labour problems in the copper belt (though Central African Federation is not likely to make this problem any less irksome in the immediate future); meanwhile, the copper companies will have to grapple with further

wage demands and to hold the balance, as best they can, between the interests of African and European mine workers. With these difficulties always before them the Rhodesian copper producers will need luck as well as skill if they are to reduce costs.

The fact that profit margins are likely to be slimmer, coupled with the steady rise in the cost of new capital extensions, has forced the copper companies into second thoughts about their development programmes. Such programmes will be pushed ahead for the producing mines and for those developing mines, such as Bancroft and Chibuluma, where a quick return can be expected. But the Selection Trust group has decided not to go ahead

with the development of Baluba Mine—not abandoning it altogether, for the mine has rich cobalt reserves as well as copper. During the next twenty years, the reserves here and elsewhere in Rhodesia and the Katanga province of the Belgian Congo will be heavily drawn upon to satisfy the steadily mounting demand for copper that seems in prospect throughout the world and more particularly in the United States (which now consumes about half of the world's copper and now produces less than one third).

In the very long term, investors in copper shares can expect an expanding equity. But many of them will feel that the long run matters somewhat less than the size of their next dividend cheque. In the case of the dividends from the Selection Trust group these

cheques will be bigger, for taxes on these dividends will be lower now that the group is domiciled in Rhodesia. It does not follow that every British holder of these shares, by the time he has settled with the tax inspector, will be any better off. Nor does it follow that the copper companies will push their dividend rates up, even though they may—as the Selection Trust expressly intends—reduce reserve appropriations. Copper equities always provide a high yield and it is right that they should. Yet after all proper assessment of the prospects in the short and longer term, investors may perhaps accept the market valuation of these shares, despite their rather scaring high yields, without utter dismay. A lot of trouble is at present discounted in their prices.

Business Notes

The New Savoyards

THE emotional barrage that was laid down by the directors of the Savoy Hotel last week seems to have been directed at the wrong person. It was not, after all, Mr Charles Clore who had manoeuvred himself into a position from which he could launch an attack on their peace of mind; he was merely trying to climb on to the back of a tank that was already being driven towards their lines by Mr Harold Samuel. The interim report on these dealings from Mr J. B. Lindon, QC, the Board of Trade investigator, provides for the public (with admirable despatch and clarity) the first full blow-by-blow commentary on one of these battles of the bids.

The nominal issued share capital of Savoy Hotel Ltd. (which owns the Berkeley and Claridges as well as the Savoy) consists of £250,000 of 7 per cent preference stock and £753,699 of issued ordinary stock; on a poll at a general meeting of the company, each £1 stock (whether preference or ordinary) confers the right to one vote. Up to mid-September the directors and staff seem to have held a larger block of the stock than any other single group—at the end of November their holdings amounted to approximately £18,100 of preference stock and £57,380 of ordinary stock. Between September 17th (the day of the Bank rate reduction) and November 26th, however, Mr Samuel's Land Securities Investment Trust, operating through one of its eighteen subsidiaries, and through two nominees, bought £14,000 of preference stock and no less than £186,500 of ordinary stock—thus obtaining almost 20 per cent of the total votes exercisable upon a poll at general meetings of the company (enough, says Mr Lindon, “materially to influence the policy of the company, if not to control it”). These purchases helped to drive the price of the £1 ordinary

stock up from 27s. 9d. on September 16th to 53s. on November 26th.

The spotlight on the Savoy stage thus swings away from Mr Clore towards Mr Samuel's Land Securities Investment Trust. This is a holding company with eighteen subsidiaries (plus three others in liquidation) whose main business is in West End properties. Its last balance sheet to March 31st, showed freeholds at cost of £3,731,000 and leaseholds at cost (less amounts written off) of £6,983,000; but after deducting current and deferred liabilities and provisions (including £7,796,000 of mortgages), net assets available for the equity amounted to £1,799,000. This is probably an understatement of the true values of these assets, for rents receivable in 1952-53 totalled £1,247,861; after deducting ground rents payable, expenses and tax, £108,408 was earned for the equity last year and £66,825 paid out. At the last balance sheet date, the issued ordinary capital was £275,000, but since then £725,000 has been capitalised from reserves in a 29 for 11 scrip issue. The 10s. ordinary shares currently stand in the market at 47s. 6d.; they have made a net gain of 1s. 9d. in the past week. Despite the probable undervaluation of the assets in the balance sheet, it would require a super-Samuel to do a Samuel on Mr Samuel.

Enter Mr Clore

MR CLORE does not seem to have realised what was happening in these dealings at the Savoy until October 16th, when his Princes Investments Limited came into the market and bought £29,000 of the ordinary stock in the course of two and a-half weeks; only £5,000 of this

EARNINGS, DIVIDENDS AND ASSETS
(£ '000s)

Years ended	Roan Antelope		Mufulira		Rhokana		Nchanga	
	June 30, 1952	June 30, 1953	June 30, 1952	June 30, 1953	June 30, 1952	June 30, 1953	March 31, 1952	March 31, 1953
Earnings								
Copper sales (long tons).....	81,027	87,307	76,369	72,981	83,025	72,165	79,499	90,150
Sales revenue.....	16,684	21,706	15,726	18,188	18,938	19,333	16,185	22,004
Production costs.....	7,191	9,686	6,690	8,133	8,623	9,480	5,355	7,721
Operating surplus.....	9,636	12,424	9,337	10,536	10,299	10,163	10,507	14,527
Depreciation and replacement....	1,000	3,000	1,000	3,000	225	278	443	575
Taxation.....	5,889	4,565	5,652	3,842	4,256	4,220	3,727	5,294
Net profit.....	2,643	4,788	2,618	3,625	7,861	8,391	6,256	8,749
Non-recurring credits.....	73	2,165	655	1,997				
Ordinary dividends.....	2,123	4,213	2,811	5,625	5,625		3,500	5,250
Retained profits.....	420	2,740	1,298	2,811	2,174	2,721	2,756	3,499
Balance Sheet								
Total fixed assets.....	7,081	7,215	7,729	8,938	16,791	19,076	9,654	12,481
Net current assets.....	8,476	9,843	8,611	8,913	3,467	3,287	1,222	1,055
Copper stocks.....	1,641	1,947	1,656	2,158	2,198	2,693	1,168	1,750
Other stocks.....	3,156	3,522	3,345	4,037	3,561	3,853	2,216	2,759
“Quick” assets*.....	11,318	14,835	10,899	9,694	11,316	8,720	6,475	8,259
Reserves.....	3,890	3,809	5,339	5,557	21,972	24,719	7,332	10,830
Ordinary capital.....	8,988	8,988	8,148	8,148	2,500	2,500	7,000	7,000
Ordinary dividends (per cent)...	45	52½	41½	41½	225	225	50	75
Ordinary Shares								
Nominal value.....	5s.		£1†		£1		£1	
Market price.....	13s. 6d.		...		£18½		£6½	
Yield (per cent).....	£19 9s.		...		£12 8s.		£11 2s.	

* Including cash balances, tax reserve certificates, quoted investments and loans at call.
† The shares are not quoted, being held by Rhodesian Selection Trust and Rhokana.

was bought through a nominee, the rest being bought in the Princes Investments' own name. On November 10th, the day that the request for a Board of Trade inquiry was filed, Mr Clore may have hesitated; at any rate, Princes Investments sold £2,000 of the stock on that day. But Mr Clore's reaction to the indignant circular issued by the directors last week, which said that he wanted a seat on the board and which presumed that he would follow a policy that the directors considered would bring "ruin to the company," was very different. On the two days immediately following that circular, Princes Investments bought no less than £60,000 of the ordinary shares, thus materially contributing to the rise in the £1 shares from 49s. to 54s. 6d. in this period. By the close of business on November 27th Princes Investments therefore held £97,500 of the ordinary stock and thus controlled over 9 per cent of the total voting power in the company—a sizeable, but by no means a dominant, interest.

It seems evident, in fact, that throughout these transactions Mr Clore has been a junior rival of Mr Samuel, albeit a rival who wanted to become a junior partner. Somewhere around November 10th or 11th (apparently, therefore, just after the company had asked for a Board of Trade inquiry), Mr Clore suggested to the accountant who was acting for Mr Samuel that Princes Investments and Land Securities Investments might collaborate to make a bid for control of the Savoy. Mr Samuel considered this proposition (it had the attraction that it would mean that Mr Samuel's group would not have to find so much cash), but eventually decided against it. It is not usual for an entrenched commander to invite a rival into his lines. The company's response to the publication of the report has been to announce that a statement will be issued to stockholders as soon as possible, and that, "meanwhile, reports suggesting sensational changes should be treated with reserve." The response of Mr Samuel and Mr Clore has provided an equal enigma for the markets. At first their response seemed to be mirrored in the wave of buying that lifted the Savoy's £1 ordinary shares to 61s. 9d. at one time on Tuesday; but on Wednesday the shares fell sharply to close at 55s., after touching 51s. 3d. at one point.

Marginal Note on Sears

MEANWHILE, Mr Clore has an entirely different problem on his hands, in turning to good account his purchase earlier this year of a controlling interest in J. Sears and Company. Before he can revamp Sears's assets, Mr Clore has to surmount the hurdle of redemption of £1,737,324 of a 4 per cent mortgage debenture stock, the holders of which would be in a position to impede his operations. A cumulative sinking fund of 1 per cent per annum is in operation on this stock, and can be operated by purchase at or below 103½ or by drawings at 103½; but there is a subsidiary clause that sinking fund payments can be increased for redemption of the stock at the company's discretion by drawings at 105. The company has announced that it will exercise this discretion to the full, by redeeming the entire debenture stock at 105 on February 1st next; apparently no less expensive avenue to redemption has been opened before it. It is raising the cash for this operation

by the sale of a number of shop properties belonging to its subsidiary, Freeman, Hardy and Willis; the company will lease these properties back from the purchasers, who are presumably a group of insurance companies. It is stated that "the balance of the proceeds of the sales will be used to develop and extend the business and interests of the group"; this does not necessarily mean that there will be no cash repayment on the ordinary shares, but expectations of a repayment may be damped by this phraseology and by the fact that there are still nearly £2,800,000 of high-coupon preference shares in issue (just under £500,000 of 12½ per cent preference shares and £2,300,000 of 7 per cent preference shares). It would not be surprising if Mr Clore wished to see some of these paid off too, which presumably would need more cash. A bidder's lot is not necessarily unhappy, but nor is it always easy.

Rise in Advances

AFTER a continuous fall, amounting to £160 million since April, bank advances rose substantially in the four weeks to November 18th. The latest return from the London clearing banks shows an increase in total advances by £22 million, to £1,676 million. This seems to confirm the assumption that credit demands from the private sector of the economy have been tending to rise again for some time past—but until last month this tendency was masked in the aggregate figures by the heavy repayments that have been made by nationalised industries out of the proceeds of this year's issues of stock. There was, in fact, a further call

LONDON CLEARING BANKS

	November 18, 1953		Change on	
			Month	Year
Deposits	£ mn.		£ mn.	£ mn.
"Net" deposits*	6,418.6		+ 45.3	+235.4
	6,193.7		+ 38.1	+219.3
Liquid assets	£ mn.	%†		
Cash	2,344.0	36.5	+ 9.6	+182.1
Call money	520.3	8.1	+ 1.9	+ 17.0
Treasury bills	469.2	7.3	— 6.9	— 46.6
Other bills	1,299.6	20.3	+ 12.9	+214.1
	54.8	0.9	+ 1.7	— 2.1
Investments plus advances	3,921.1	61.1	+ 29.0	+ 40.0
Investments	2,245.1	35.0	+ 7.0	+107.5
Advances	1,676.0	26.1	+ 22.1	— 67.5

* After deducting items in course of collection.
† Ratio of assets to published deposits.

on the Gas loan in November, so that the advances of all other borrowers presumably rose by substantially more than the £22 million. But as the greater part of that disclosed increase was concentrated upon only two banks, it is reasonable to presume that some special factors were present. The increase in working capital associated with the rising level of production and the revival of private trade in commodities are perhaps the biggest underlying influences making for increased advances, but their force is probably less than the November figures might seem to imply.

Whilst the demands of the private sector are rising, those of the public sector have lately been contracting, with the result that the month's increase in net deposits, at £38 million, is only moderately larger than in the similar period last year. On the customary basis of estimation, the central Government's demands on the banking system amounted in November to no more than £7 million, in contrast with £46 million in the corresponding (five-week) period of last year. This contrast, however, neatly reverses the one presented by the October figures, which leads to the conclusion that the analyses of both sets of figures were distorted by the disparity of periods this year and last. A clear comparison with last year can be obtained by taking the whole nine-week period from mid-September. In that period the net Exchequer deficit (after allowing for net receipts from small savings and tax reserve certificates) was some £6 million larger this year than in 1952—whilst the Government's borrowings from the banking system were some £15 million larger. The residual discrepancy is, therefore, quite small—possibly less than the Government had to find to finance the department's share in the Gas call last month; but, on the other hand, its outlay on the finance of the balance of payments surplus and the redemption of unconverted Serial Funding stock held in private hands must certainly have been less this year than last.

Windfall for the Reserves?

THE sterling area's gold and dollar reserves increased by \$41 million in November. At first sight, this is unexpectedly heartening news. It is true that receipts of American aid were relatively high last month (at \$24 million), but no less than \$15 million had to be paid to the European Payments Union in part settlement of the sterling area's deficit with Western Europe in October. This

TREND OF DOLLAR SURPLUS
(\$ million)

	Gold payments (—) or receipts (+)			American aid	Change in reserves	Reserves at end of period
	EPU settlement†	Purchase of "arbitrage" commodities	Residual gold and dollar balance			
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
June, 1953....	+ 10	...	+ 8	+ 28	+ 46	2,367
July, 1953....	+ 2	...	+ 51	+ 36	+ 89	2,456
Aug., 1953....	— 6	...	Nil	+ 19	+ 13	2,469
Sept., 1953....	— 15	...	+ 4	+ 28	+ 17	2,486
Oct., 1953....	+ 6	...	+ 15	+ 13	+ 34	2,520
Nov., 1953....	— 15	...	+ 32	+ 24	+ 41	2,561

* 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.

means that the residual surplus, which reflects the sterling area's direct balance with North America together with gold receipts from other non-European countries, was as high as \$32 million in the month. It is true that November is a favourable month for sterling area sales of primary commodities; one indication of this is that the residual surplus (excluding commodity arbitrage transactions) was as high as \$70 million in November, 1952, and another is that the sterling area recovered to a surplus of £3.2 million with Western Europe last month (so that some \$4½ million of gold will be received from EPU next week). But last month's residual surplus of \$32 million sits very hearteningly beside the surplus of \$15 million in October and \$4 million in September; and very oddly beside the fact that American industrial production is continuing to decline and that American purchases of sterling area commodities are not exactly buoyant.

The immediate reaction of the analyst must be to search for some special factor that might be included in this residual surplus.

There is one obvious special factor of this sort. It flew into London Airport in the last week of November in three KLM freighters, laden with over £5½ million (about \$15½ million) of Russian gold. There is, of course, no confirmation in London that all or any of this gold (or dollars received from the re-sale of it) reached the vaults of the Bank of England before the end of November. But it will be surprising if the latest rise in the reserves has not at least some snow on its boots.

Reasons for the Red Gold

THE arrival of this Soviet gold in London confirms that Russia is very short of sterling, and that it is now obliged (and perhaps also more willing) to use its gold reserves to cover temporary deficits in its balance of payments. The consignment, which amounted all told to some 17 tons, valued at rather over £5,500,000, flew into London from Moscow via Prague at the very end of November. The Russians have received payment in sterling through one of the leading bullion brokers in the City; the British purchasers of a consignment of gold of this sort can then resell it either direct to the Bank of England or else on the free market against payment in dollars—in either case, of course, the hard currency benefit accrues to the central reserve. Earlier in November the Russians had made a similar sale of about £7,500,000 of gold through the Amsterdam and Zurich markets.

The deficit in the Russian balance of payments that has led to these sales is due far more to the recent decline in traditional Russian exports than to the more popular and picturesque explanation that there had been a sudden boost in Russian imports of consumer goods as part and parcel of Mr Malenkov's policy of pampering the Russian consumer. Britain's switch from Government to private trading in grain and timber, together with the transition from sellers' to buyers' markets in these basic commodities, has caused Russian exports to Britain to fall sharply—from £47,779,000 in the first nine months of 1952 to £26,458,000 in the corresponding months of 1953. It is true that sterling area exports to Russia have also fallen

this year—mainly because of a sharp drop in re-exports of rubber from Britain. Against this, however, the Russians have recently placed some large orders for British textile machinery; they have also been inquiring after electric generators, tankers and some items that will have to be checked off against the list compiled by the international control over strategic exports to Communist countries. In fact, a cynic might suggest that Russia's sudden emergence as a hard currency paying country may not be altogether unconnected with a desire to put more power behind the foot of the unwise people in Britain who would like to kick against the pricks of this control over strategic exports; it may also, of course, be very cunningly designed to give still more strength to the very different (but probably equally unwise) people in America who are opposed to an increase in the dollar price of gold under any circumstances.

Green Light for DSIR

THIS year the Department of Scientific and Industrial Research has about £5 million to spend; next year it is to have an extra £400,000, and will be able to divert to its general work the £250,000-£500,000 it has been spending in grants to universities for research equipment. During the next five years its expenditure will be allowed to increase gradually, to a budget of £6 million or slightly more by 1959. In addition to this increase in current expenditure, it will be allowed to spend perhaps £8 million upon building and capital equipment. During the last two years its recruitment has been at a standstill, but it is now to be allowed to take on an extra 150 non-industrial and 50 industrial staff each year.

It is not easy to compare this expansion with the postwar plan for DSIR that was approved in 1946 but which became an automatic victim for each two-yearly cut in investment and consequent economy campaign in Whitehall up to 1951. When rises in prices are taken into account, the new green light for DSIR may seem a shade paler than the old; but there has in the meantime been some progress in recruitment of staff, and a little in building. Moreover, the department is not disposed to look this horse in the mouth; it has been conceded much of what it hoped for, including freedom to plan its research—and to budget for it, in broad figures—over five-year periods rather than single years. The gentleman's agreement with the Treasury by which, it appears, this will be arranged denotes a considerable relaxation of that department's attitude, perhaps justifying Sir Ian Heilbron's rejoicing over "a revolution in Government procedure." The department's annual budget, of course, will still have to be formally approved by Parliament; but the fact of five-year budgeting, whatever its form, seems to be clearly conceded. The department will be able to complete its mechanical engineering research station at East Kilbride, its new £2 million ship test tank, and new road research station, and provide extra facilities for hydraulics research and research into water pollution, as well as consolidating its facilities for building research. Some increase in grants to the industrial research associations, too, seems likely. The Government deserves some congratulation upon this belated realisation of national self-interest in technological advance.

Engineering on the Turn?

THE most important question posed by the official statistics published last week, which show industrial production at a record level in September and suggest that it may have been yet higher in October, concerns engineering output. The Chancellor of the Exchequer said a fortnight ago that there had been "a slight fall in engineering output," and his monthly Bulletin for Industry had described it as "lower this year than last, though higher than in 1951." But detailed figures for individual industrial groups—the component indices of the official index of production—could hardly then have been available for later than July or possibly August. In August, and again in September, there was a considerable growth in engineering employment—32,000 extra workers in the two months, plus 18,000 more in the vehicle industries. No doubt this in part reflected an influx of youths leaving school; but it was twice as large a rise in employment during the two months as last year and markedly larger than in 1951 (when the figures were not directly comparable). It seems possible, therefore, that the recovery in orders reported by some firms in some engineering industries, may be growing more general; the continued buoyancy of motor production, of course, has some effects beyond its own industry and the direct suppliers of accessories and components, and there seems to have been a considerable increase in activity in the electronics industry and for certain domestic electrical goods.

OFFICIAL INDEX OF INDUSTRIAL PRODUCTION
(1948=100)

	All Industries			Manufacturing		
	1951	1952	1953	1951	1952	1953
January.....	116	117	118	119	120	119
February.....	122	120	122	125	122	123
March.....	116	123	124	118	125	126
April.....	122	110	118	126	112	119
May.....	116	117	123	121	120	127
June.....	122	112	118	127	113	121
July.....	111	102	110	114	102	113
August.....	104	98	106	107	97	106
September.....	121	116	125*	124	116	128
October.....	121	120	127-8†	125	121	...
November.....	123	123	...	116	114	...
December.....	113	112	...	115	113	...

* Provisional. † On the basis of data so far received.

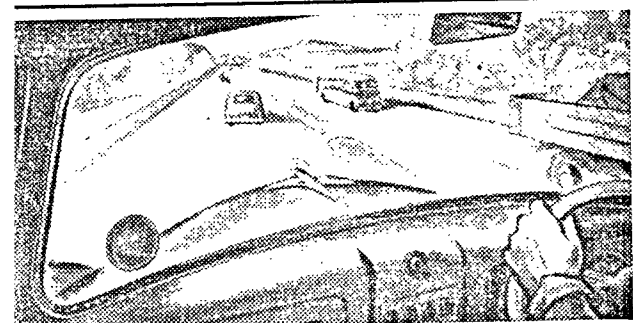
The index of total production continues to offer encouragement; some of the slack in industrial capacity is probably being taken up, even if the products are not going into exports. The provisional figure for September, 125 (1948=100), showing the usual seasonal increase over August, is 6 per cent higher than a year before and more than 3 per cent over that for September, 1951. The forecast index for October, 127-128, would be 5 per cent higher than in October, 1952, and 6 per cent higher than in October, 1951. Comparisons with 1951 for recent months, of course, are reminders that the upward postwar trend of



JOSÉ FROM HAVANA

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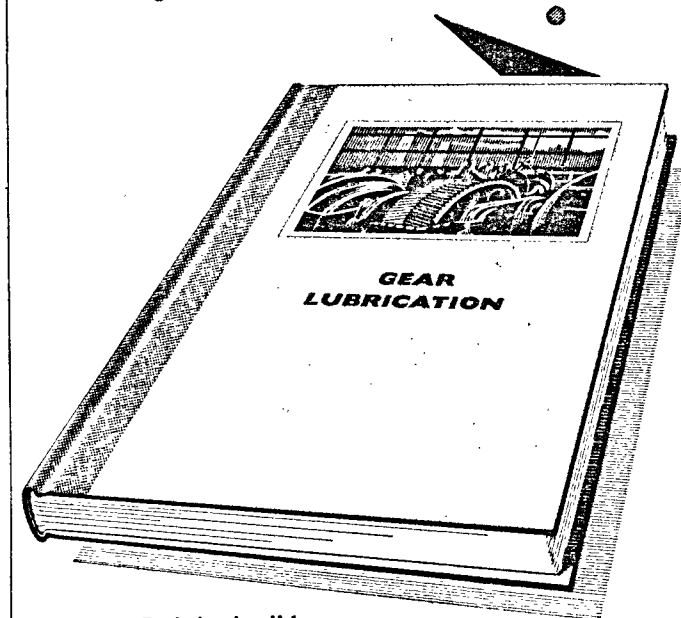
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industrial production had flattened out by the second half of that year. This trend may now have been resumed; global calculations of productivity, for what they are worth, show a marked rise this year over 1952, and a level now passing that of early 1951, the postwar peak.

New Enterprise in Shipbuilding

MODERN shipbuilding technique requires plenty of room to move about in. In this respect the new shipyard formally opened at Newport, Monmouthshire, last week has a considerable advantage of space over yards in traditional shipbuilding areas. It has also the advantage of starting from scratch, so that the whole production process can be laid out to take the best advantage of the latest technical developments, instead of having to graft these as well as possible on to old wood. The Newport yard of the newly formed Atlantic Shipbuilding Co., Ltd., for example, is probably the first in the world to be designed without either a mould loft for marking out plates (a process that occupies much time and space) or an inclined building berth of the conventional type. Plates will be marked for cutting by the photographic projection method, which is coming into increasing use on the Continent but which British shipbuilders have treated with great conservatism. The prefabricated parts of the ships built at Newport will be assembled in shallow dry docks, thus reducing time spent in the open air, the necessity for working at heights and on an inclined plane, and the complications of launching. Assembled hulls will be floated and towed to Newport Docks for fitting out.

More than space and a good technical plan is needed to ensure success for such a venture. There must be plenty of deep water, adequate supplies of steel and other materials, skilled labour and management, useful subcontracting trades in the area, ready supplies of marine engines and components, finance and what is now called "know how" and used to be called skill—and, not least, potential customers. The Atlantic shipyard is not badly placed in most of these respects. Nature has provided a 40-foot tide at the entrance to the River Usk, sufficient to handle bulk carriers of up to 50,000 tons dw, provided the subsoil will take the weight on the dry docks. So far as labour is concerned, the new yard has a nucleus of skilled men with a fair reserve of ship repairing and other workers in the area who can readily be trained in the new techniques. There are steel and aluminium works in the district, although this does not relieve the nation-wide pressure on steel plate supplies; and there are many subcontracting firms, joiners, plumbers, electricians and manufacturers of equipment and auxiliaries, that already serve an important ship repairing area. The provision of marine engines may, at first, be a problem, but foreign suppliers would be only too glad to provide them if British firms do not. Sufficient finance has been made available at least to put into operation the first stage of development, which will enable ships of up to 8,000 tons dw to be built and steel to be worked at the rate of 100 tons a week; and firm orders have been obtained from Canadian owners for two ships of 3,000 tons dw each, which are now under construction.

The second stage, which it is hoped to complete next

year, will provide a much-needed large dry dock and increase the yard's shipbuilding capacity fivefold, and the company believes that suitable export orders are in the offing. Shipbuilding has entered a phase of intense international competition, which may seem hardly the best time to open a new yard, but new and more economical technical methods, coupled with efficient management and ability to absorb the skill that is the tradition of British shipbuilding, might attract to Britain a further share of the contracts for large ships that are likely to be the bread and butter of most shipyards in the future.

Controlling the Fiduciary Issue

THE Second Reading of the Currency and Bank Notes Bill—which represents the Treasury's second attempt to put on a permanent statutory footing the powers to regulate the note issue that have been exercised for the past fourteen years under emergency legislation—took place on Thursday against the background of an increase in the fiduciary issue by £50 million, to £1,625 million. A December increase of £50 million in the note issue to provide for the upsurge of Christmas spending has been necessary for many years. This year's increase comes slightly earlier than usual, although the seasonal expansion of the active note circulation since mid-October has been only £36 million so far this year compared with £38 million in the corresponding period of last year.

The aim of the new Bill is not to put any difficulties in the way of purely seasonal increases of this kind but to restore to Parliament the right to control long-sustained or permanent increases above a basic level. The normal control of the note issue derives from the Currency and Bank Notes Act of early 1939, which followed the principle of ultimate Parliamentary control laid down in 1928 when the demand for elasticity of the note issue was first conceded. Although the Treasury was empowered under those Acts to sanction requests from the Bank for any variation of the fiduciary note issue (i.e. the portion of the total issue not backed by gold) from its basic statutory level, no increase above that level could be continued for more than two years without the sanction of Parliament. But at the outbreak of war, when it was evident that the fiduciary issue would have to be progressively increased, the Defence (Finance) Regulations gave the Treasury wider powers; orders made under these regulations suspended the two-year limit indefinitely. The whole increase in the fiduciary issue from its prewar basic level of £300 million to its present level of £1,625 million has therefore taken place by Treasury direction without any further Parliamentary authority.

Obviously there is need to restore to Parliament at least its prewar right to keep its finger on the currency pulse, but the Treasury's first effort to do this was engulfed in the press of Parliamentary business. The Bill introduced early last year (and discussed in *The Economist* of February 9, 1952) never proceeded beyond its first reading. Now the Treasury is trying again, with a Bill whose only material difference from last year's is that the basic figure for the fiduciary issue has been stepped up to take account of the intervening rise in the circulation—the figure now

proposed is the level of the issue before Wednesday's increase, namely £1,575 million, whereas last year's was £1,400 million. If and when the Bill passes into law, no increase above £1,575 million may remain outstanding for more than two years unless authorised by statutory instrument—so that the power of extension can be annulled by resolution of either House. Within any such two-year period, however, the Treasury may at the request of the Bank alter the fiduciary issue, upwards or downwards, by directions valid for not more than six months, but renewable similarly. Any such direction will be by Treasury Minute, duly laid before Parliament. Like its predecessor, the new Bill also gives the Bank power to call in and demonetise any denominations of its notes, and thus would fill in a small gap in the present legal powers—which do not extend to demonetisation of £1 and 10s. notes.

Financial Discussions in Spate

THIS is the season of flood in trade and financial discussions between the United Kingdom and foreign countries; most of Britain's remaining bilateral agreements cover the calendar year and therefore fall due to be renewed at the end of this month. One of these is the sterling payments agreement with Japan. The Japanese delegates who arrived in London this week, however, have come to discuss far more than the technical machinery for payments; they will also discuss Japan's chronic shortage of sterling (which has not been cured by such temporary measures as the sterling-dollar swaps arranged earlier in the year), the trend of Japan's balance of payments with the sterling area and the discrimination that continues to be applied against Japanese goods in a number of sterling area countries.

This year's round of discussions with Spain has already taken place in Madrid, and has met with some success. In the past the Spaniards have considered sterling as a hard currency and have used the bulk of their sterling earnings for purchases outside the United Kingdom. Some effort was made in the course of the recent negotiations at Madrid to induce the Spaniards to canalise more of their essential imports (such as mercury, pyrites and iron ore) to Britain, and to seek greater alignment between their purchases from Britain and their direct earnings from exports. Spain has also been asked for more favourable treatment of financial remittances to British nationals and businesses; at present these remittances are in arrears by more than £500,000, but a little effort should make good this leeway.

The present series of discussions with Brazil are concerned with the technical application of the recent agreement, by which Brazil has agreed to make gradual repayment of the arrears of some £63 million that it owes exporters in Britain and to the Exports Credit Guarantee Department. The Brazilians have agreed to deposit their initial down-payment and the subsequent annuities with a bank in London. It now remains for the creditors to decide among themselves how and in what order these sums will be allocated. The claims have been registered and various schemes of allocation are being considered. The main issue at stake is whether payment shall be made to creditors in chronological order, in proportional instalments calculated on their total claims, or by some combination of the two.

Transatlantic Cable in Kind

THE British "contribution in kind" to the transatlantic telephone cable project announced this week will include the services of the telegraph ship *Monarch* to lay the cable, plus the manufacture of two-way repeating equipment for the link between Nova Scotia and Newfoundland, and of "a major part" of the submarine cable to be laid. The transatlantic link, from Oban to Newfoundland, will be about 2,000 miles of double cable and the single cable link onward to Canada will be some 300 miles long. The contract for the cable construction in Britain has not as yet been signed. The British producers of this type of cable include Submarine Cables of Greenwich, the cable company owned jointly by Siemens and the Telegraph Construction and Maintenance Company; this is the largest producer in the world, and has recently tooled up a second factory. The total project is to cost £12½ million, and the British contribution (which will give it 41 per cent ownership of the cable, the USA owning 50 per cent and Canada 9 per cent) will be worth £6,250,000, while the plans call for laying to begin in summer 1955 and to be completed by the end of 1956. The annual value of output of submarine cable in this country since the war has been only about a quarter of a million pounds, so that this order may obviously put considerable pressure on capacity.

The new telephone link will supplement the present radio-telephone link that has been in operation since 1927; it is the first telephone cable, as all existing lines carry telegraph circuits only. The twelve circuits on the radio link are overloaded by current demand for Transatlantic conversation; the new cable link is at present designed to carry 35 telephone circuits, 29 to the United States and six to Canada, plus six telegraph circuits to Canada. The British two-way repeating equipment that will be used on the link between Newfoundland and Nova Scotia would have enabled the service to be operated with a single cable link on the mid-Atlantic section, thus saving perhaps 2,000 miles of cable; but American one-way repeaters with a double link are in fact to be used as these have been tested for service in very deep water, while the British repeaters have not.

Bears of Wheat

TRADING in wheat futures was resumed on the Liverpool grain market this week after a lapse of fourteen years. The prevailing view among the trade that wheat prices will fall further in face of the massive world surplus sent prices down by some £2 10s. a ton below current prices for physical wheat. Argentine wheat, which is the basic grade, was quoted at about 23s. per cental of 100 lb, ex-store for May delivery. This is equivalent to about £25 10s. a ton, c.i.f. United Kingdom, compared with a price of £28 5s. a ton for wheat for early shipment. The futures market may not be a reliable pointer at the moment, however. The volume of business has naturally been extremely small, and it is unlikely to increase substantially until the demand for imported wheat in Britain reaches normal proportions.

portions. Millers are still drawing heavily on the domestic crop and on the stocks of imported wheat remaining with the Ministry of Food at the time of decontrol. May was evidently chosen as the first delivery month in the expectation that the Ministry's stocks will by then have been virtually consumed. The resumption of futures trading in coarse grains in Liverpool is still under consideration. The London market will begin to trade in futures in barley and maize on January 4th, and hopes to follow with wheat futures a few months later.

It may be a considerable time before both markets can exert their prewar influence on world wheat prices and again provide an adequate hedge to traders in this country and Europe, but the effort will be well worth while. There is no effective world price for wheat at the present time. The nearest approximations to such a price seem to be the quotations of the Canadian Wheat Board. Soon after the new International Wheat Agreement came into force in August the board brought its price for wheat sold in the free market below the maximum agreement price, and since then the free price and the agreement price have been the same. The United States government has not subsidised exports of wheat to countries outside the agreement, and is finding it difficult to sell much wheat this season at the higher price in the free market. To increase such exports, and no doubt to rid itself of even a small part of its huge stocks, the US Commodity Credit Corporation recently announced that it would offer for sale in competition with other countries limited quantities of government-owned wheat and flour to countries which are not members of the agreement. Presumably this means that the government will subsidise these exports at a rate similar to the current subsidy of about 48 cents a bushel for agreement wheat. So far no offers of this American wheat appear to have reached the trade in London or Liverpool.

Atomic Chemistry

SIR JOHN COCKCROFT, giving the Dalton Lecture in Manchester last week, threw some light on a little known but potentially very important branch of atomic physics, radiation chemistry. It seems probable that milder versions of the processes that bring about atomic fission might eventually offer usable alternatives to some major operations of the chemical industry. Large quantities—atomically speaking—of radioactive substances of various kinds are produced in atomic piles as fission takes place, constituting a form of radioactive "ash" that has to be removed. These waste products, according to Sir John, are a potential source of high-powered radiation.

Many processes in the organic chemical industry consist of moving the atoms and molecules in a compound into different positions. The fast-moving atomic particles emitted by radioactive substances appear in many cases to be able to do this re-arranging just as efficiently as the traditional tools of heat and pressure. What is not certain is whether they can do so more cheaply. If a great deal of radiation is needed to get results, and the value of the chemical is low, the process is not commercially attractive. One such example that Sir John quoted is the pro-

duction of phenol and diphenyl, both of which can be produced, but expensively, by irradiating a solution of benzene in water. But he went on to say that if, as seemed likely, the process could be developed to produce pharmaceuticals—and presumably other types of fine chemicals too—it might have a commercial future. One most attractive application is the use of radiation to polymerise plastics. Polymerisation is the key process in producing many of the newer plastics; if radiation were to be substituted for the standard high-pressure techniques now used, the face of the chemical industry might be changed in the strictly literal sense of a radical alteration in the size, shape and type of the plant used. Apart from this basic change of method Sir John said that some plastics, notably polythene, could be greatly improved by radiation; polythene immediately acquired a far higher melting point and greater creep resistance, which removed two major handicaps to its more extensive use.

Radiation chemistry is still the physicists' toy, though the potentialities it offers constitute perhaps the main motive for the interest of major American chemical companies in entering upon nuclear power production. The programme of research being started at Birmingham University will probably coalesce the existing haphazard findings into a properly defined technique. Meanwhile the potential importance of such developments to the chemical industry underlines the need to give industry access to this data, and to a great deal more connected with atomic physics, at the earliest possible opportunity.

Standard cuts Prices

PRICE changes in the motor industry are usually timed to coincide with the October motor show, but the Standard Motor Company has waited until now, the period when car sales are most difficult, to announce a reduction of nearly £50 in the home price of its Vanguard model. The list price of the Vanguard saloon comes down from

MEDIUM-POWERED CARS

	List price	List price with tax	Cubic capacity of engine
Rover 75	895	1,269	2,103
" 60	820	1,163	1,997
Humber Hawk	695	985	2,267
Wolseley 6-80	670	950	2,215
Morris 6	595	844	2,215
Austin A.70	596	845	2,199
Wolseley 4-44	595	844	1,250
Standard Vanguard	555	787	2,088
Vauxhall Velox	535	759	2,262
Ford Zephyr	523	755	2,262

£590 to £555, a reduction of £35; with the consequent reduction in purchase tax that has been added, this brings the price of the car down from £837 to £787. The Vanguard now becomes more closely competitive with the Ford Zephyr and the Vauxhall Velox, the two models that have so far dominated the medium-power market.

Prices of a number of cars in this class were reduced

in October; the Austin A.70 and the Rootes Humber Hawk both came down by £43 (after tax), while the big Wolseley was reduced by £71. The Rover company went so far as to introduce a cheaper, 4-cylinder version of its standard 6-cylinder saloon, bringing its price down by £106. But neither Ford—which reduced its prices by 10 per cent last year—nor Vauxhall, both with relatively new models in production, have yet found it necessary to apply this stimulus to their home sales this year.

The cut in the Vanguard price, the company explains, has been made possible by lower material prices, improved production methods and—this in a memorandum to the engineering unions—some reduction in unit profits. About 30 per cent of Vanguard production, at present running at 550 a week, goes to the home market. If this is any indication of the kind of reduction that can be achieved now that controls on the industry's use of materials have been lifted, this section of the car market is likely to become just as competitive as the small car field. The table shows that there is now quite a considerable gap between the closely bunched prices of Ford, Standard and Vauxhall, each producing in quantity cars powered by engines of 2½ litres, and those of their next nearest competitors, despite the price cuts that some of those other companies have already made.

Roads in a Rut

NOTHING more positive than the promise of an official statement upon "the road programme" before Christmas emerged from last week's debate in the Commons upon the need for more adequate road development, though Mr Molson, who on behalf of the Minister of Transport accepted Mr Pargiter's motion, encouraged its

"REAL" EXPENDITURE* ON BRITISH ROADS, 1949-53
(Average 1936-39=100)

	Maintenance and minor improvements	Major improvements and new construction
Average:— 1936-39.....	100	100
1949-50.....	66	25
1950-51.....	62	25
1951-52.....	70	17
1952-53.....	73	16
1953-54.....	69	24

* Adjusted to take into account increased costs of road work.

supporters somewhat by this action and by his soft answers. Most of the familiar but not less telling points about the cost in lives and money of the country's outgrown road system were made—the best of arguments, if supported by not the best of statistics. Mr Molson's departmental figures confirming the decline in real resources devoted to the roads both for maintenance and for major improvements, summed up the sad tale. He confirmed that the department's main emphasis in spending extra money—if it does—would be in tackling "the inadequacy of size and

design of our roads" rather than in increasing admittedly insufficient work on maintenance. In estimating the volume of traffic now using British roads, he said that this had increased by some 23 per cent since 1938, but that the traffic of goods vehicles—"the ones that do the damage"—on trunk and Class I roads was up by 88 per cent and still rising steeply.

But the Parliamentary Secretary's sympathetic reception of the motion was tempered by financial caution. Even to complete work on road improvements begun but interrupted, where capital is tied up to no purpose, would cost £20 million, he estimated; while the comprehensive trunk road plan of 1946, pigeonholed ever since the 1947 fuel crisis, would now cost £160 million for new motor roads alone, or in the first year, with the planned maintenance and improvement of other roads, some £80 million. The current central government expenditure on roads is £33 million a year (plus £46 million from local authorities); Mr Molson warned members not to hope for any ambitious steps toward the large programme at present—and once again dismissed any suggestions that a road programme could be financed by means of loans.

Prunes for Sterling

THE humble prune has followed tobacco as the second of the surplus American commodities to be sold to Britain for sterling under section 550 of the Mutual Security Act. A procurement order for the sale of \$5 million worth of Californian prunes has now been authorised in Washington. Negotiations for the sale of other commodities (including lard, meat, cottonseed oil and possibly butter) seem to be proceeding by fits and prematurely announced starts. It is still an open question whether the restrictive clauses of section 550 on the one hand, and the British Government's views on the other, will permit sales under this scheme to reach their full target of \$65 million; and sales to other European countries are reputed to be meeting similar difficulties. The farm lobby in Congress will no doubt be vexed at the slow fruition of its plan to unload surpluses abroad; and if, as has recently been assumed, the arrangements for use of the sterling payments involved ensure that there is no indirect loss of dollars to Britain, there may also be room for a little vexation in this country at the Government's inclination to look gift commodities so very carefully in the mouth.

Meanwhile, fifteen thousand tons of Californian prunes will be greatly welcomed by the British housewife if deplored by the British schoolboy. The shipment is some 2,000 tons larger than Britain's total imports of prunes this year, and amounts to roughly half a pound of prunes per head. Imports from the United States have been a chronic victim of the dollar shortage, and purchases from other countries have not been to the British housewife's taste.

Judgment on the "Princess Victoria"

IN dismissing the appeal of the British Transport Commission against the findings of the court of inquiry into the loss of the "Princess Victoria" ferry ship in January,

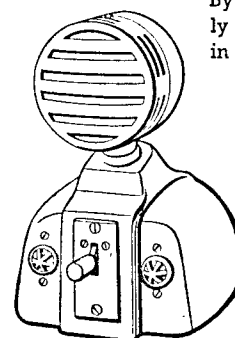


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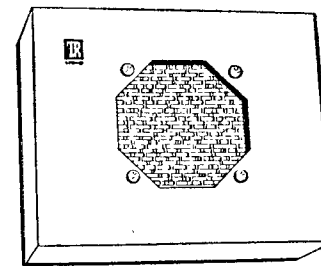
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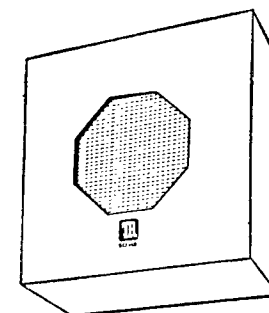
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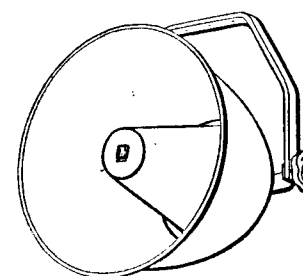
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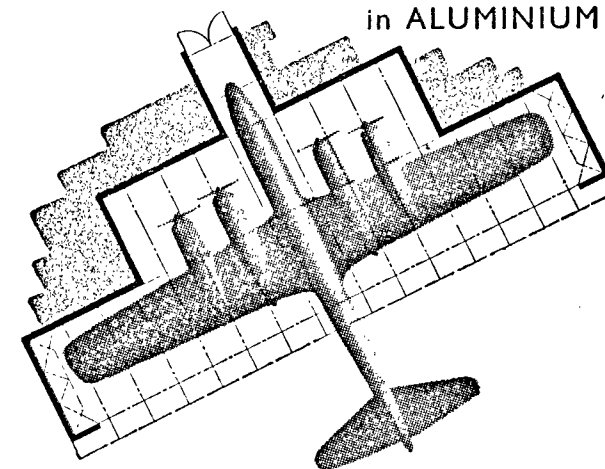
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the Northern Ireland High Court slightly modified certain of the original findings but held the Commission guilty of default. It however allowed the appeal of Captain Perry, who was manager of the vessel at the time of the disaster but had only succeeded to the post in January, 1952, holding his failure to obtain personal knowledge of earlier damage to the ferry ship "open to grave criticism" but not amounting to default. The High Court held that the Transport Commission, as owner, was not guilty of default in putting the ship into service with inadequate doors and freeing arrangements, but became so by the end of 1951, by which time it should have appreciated that the ship was vulnerable and its seaworthiness open to question in

certain waters. The Court held the commission in default through failure to discharge its common law duty of taking due care to provide a seaworthy ship, not through any breach of statutory duty.

The Transport Commission has since announced that it will not dispute or seek to limit liability under the Merchant Shipping Acts. It has already arranged to modify four of its vessels that had similar stern door or freeing arrangements to the "Princess Victoria." The Minister of Transport, in the House this week, added that the load line rules that govern the provision of freeing arrangements are to be amended, and that methods of search and rescue at sea are also under review.

Company Notes

BREWERY PROFITS. Since the end of October brewery shares have moved irregularly upwards (the Actuaries' Investment Index shows a net gain of over 6 per cent in November), while other leading industrials have made much smaller net gains. Enthusiasm in the brewery share market bubbled most gaily about two weeks ago in response to a crop of rather unexpected dividend increases. As the accompanying table shows, not all the breweries that have recently reported for the year to September 30th last have put up their dividends; and the increases in profits that most of them have announced have been comparatively slight. Nevertheless the brewers' experience in 1952-53 has been in marked contrast to that in 1951-52, when any brewery that was able to announce that it had avoided a fall in profits could be adjudged to have done relatively well.

In part, last year's recovery was a reflection of the fall in the cost of the brewers' raw materials (particularly in the price of barley), although other costs still seem to be rising. In part, it also reflected a slender increase in sales; but this increase was confined almost entirely to the sale of

bottled beers and to the sale of draught beers in the industrial areas of the United Kingdom (particularly the Midlands and North of England). This contrast between recovery in industrial areas, where production and incomes have been rising, and stagnation or decline in the more commercial south, where incomes have probably been more stable, is emphasised again and again in recent directors' reports. Thus the directors of Mitchells and Butlers report that sales of draught beers in South Wales have gone up, although their total sales of draught beers have gone down. Similarly, Strong and Company, which produces in Romsey and relies on a market in the South of England, is one of the few companies to report a fall in trading profits.

Although the increases in profits and in some dividends have usually been accompanied by a reinforcement of the brewers' cash resources (following declines in investments in stocks which in turn reflect the lower price of barley), it would be rash to assume that the boomlet in brewing shares can be kept bubbling for long. With television keeping people away from the public houses and with more consumer

goods competing for the public's spending money, brewers' profits can probably be kept rising on only one of two conditions: one is if real incomes continue to rise (and the increases in production and incomes in the year to this September are probably exceptional) and the other is if sales of bottled beer can offset the declines in draught. According to the extent of their individual cover for dividends, most brewery shares now offer a yield of between 6½ and 7 per cent; at that level, except for the big suppliers of bottled beer, they may not offer enough.

★

TATE AND LYLE. The stock markets took some time to disentangle the implications of the preliminary statement issued by Tate and Lyle—by far the biggest sugar refiners in this country—for the year to September 26th last. Immediately after its publication the company's £1 ordinary stock units were marked down 2s. to 6os., as a sign of uncritical disappointment with the effective increase of only 1 per cent in the dividend despite an expansion of over 17 per cent in trading profits. The dividend of 16 per cent for 1952-53 is 1 per cent larger than the dividend of 20 per cent in 1951-52, because the latter was paid before the nominal value of the ordinary stock units was written up from 15s. to £1 by a capitalisation of reserves. The increase in trading profits was from £3,920,543 to £4,605,143.

The market's adverse snap judgment has since been reversed, and the stock units have recovered to 63s. 3d. Last year's increase in profits was achieved in a year when sugar was still on the ration. Although the company undoubtedly benefited in 1952-53 from the increase in the domestic sugar ration and from the bigger allocations to manufacturers (particularly after the end of sweet rationing), there should be a significant difference in this industry between a bigger ration and no ration at all. The increase in demand that is confidently expected in 1953-54 will probably come from the manufacturers rather than the housewives, but these demands should be sufficient to lead to another increase in net profits. Net profits in 1952-53, at £1,127,746 (compared with £1,038,684 in 1951-52), covered the preference and ordinary dividends (which together absorbed £656,898) rather

BREWERY PROFITS AND DIVIDENDS (£ '000s)

Years to September 30	Gross profits		Net profits		Ord. dividends		Ord. dividends	
	1952	1953	1952	1953	1952	1953	1952	1953
Ansell's	1,442	1,628	567	700	287	352	17a	17b
Atkinsons	368	381	132	147	38	40	15	15
Benskin's Watford	673	706	274	301	96	150	20	30
Bentley's Yorkshire	252	254	105	116	NS	NS	25	30
Brickwood	493	496	200	214	86	90	20	20
Gresnall Whitley	462	628	145	224	NS	NS	(c)	17
Ind Coope & Allsopp*	2,703	2,600	847	885	483	506	12	12
Mitchells & Butlers	1,594	1,707	607	714	307	321	18½	18½
Northampton	350	390	96	111	46	48	25	25d
Strong & Co. of Romsey	677	662	167	171	47	65	22½	25
Usher's Wiltshire	360	365	76	79	26	32	15	17½

* Ind Coope's financial year ends on August 30th. (a) Interim dividend of 5 per cent on £3,000,000 capital and final dividend of 12 per cent on £3,300,000 capital. (b) Interim dividend of 5 per cent on £3,300,000 capital and final dividend of 12 per cent on £3,960,000 capital. (c) Company's shares not quoted until July, 1952. (d) In addition, shareholders received a free issue of a 5½ per cent loan stock in the ratio of £1 of loan stock for every £1 ordinary share.

less than twice. The company has a progressive dividend record to its credit but the fairly good prospect for another dividend increase for 1953-54 has already been discounted; at the current price of 63s. 3d. —the £1 ordinary stock units yield only 4.8 per cent.

★

PRICES TRUST. Only shareholders in United Drapery Stores (which acquired control of Prices Trust last August) will take a specific interest in the full accounts of that company for the year to June 30th last; but for the rest of the market they serve as a useful indication of how the multiple tailors have been faring since the slump in their trade in 1951-52. At first sight they are a singularly depressing indication; the group's trading profits show a further decline, from £370,391 to £161,879, and its equity dividend has been passed. But the trend may not be quite as bad as these figures suggest. During the year the group made substantial price cuts, and reduced the book value of its stock in trade from £4,335,327 to £2,774,444; there was a substantial element of marking down in this reduction, and it largely accounted for the fall in profits. The new chairman of the group, Mr Joseph Collier, believes that these stocks are now "more in line with the normal requirements of the business," and the reduction in the burden of stock finance has enabled the company to wipe out a bank overdraft of £735,267. Moreover, Mr Collier reports that since the end of the financial year in June "there has been an improvement both in sales and profits."

While the group was dragging itself back to health, it also took the wise step of setting an up-to-date valuation on its

freehold and on some of its leasehold properties (though not including leases expiring within the next fifty years). This new valuation gave rise to a net surplus of £3,045,600, which appears as a capital reserve in the consolidated balance sheet; the result is that shareholders in United Drapery Stores can now make a more reasonable assessment of the fairly impressive net worth of their equity in that company. At the moment United Drapery Stores's 5s. ordinary stock units (on the

	Years to June 30, 1952	1953
Consolidated earnings:—		
Trading profit.....	370,391	161,879
Total income.....	736,755	225,544
Depreciation.....	113,966	124,707
Taxation.....	382,342	64,239
Net profit.....	171,413	Dr. 61,914
Ordinary dividends.....	101,832	...
Retained by subsidiaries	13,855	Dr. 123,785
Added to carry forward.	1,934	6,747
Consol. balance sheet:—		
Fixed assets, less depreciation.....	4,743,756	7,716,432
Net current assets.....	1,221,536	1,248,606
Stocks.....	4,335,327	2,774,444
Cash.....	47,083	47,071
Bank overdraft.....	735,267	...
Capital reserves.....	1,528,700	4,703,671
Revenue reserves.....	1,424,665	1,279,128
Ordinary capital.....	776,250	776,250

basis of the latest final dividend of 2½ per cent and the latest interim of 1½ per cent stand at 34s. 4½d., to yield just over 6½ per cent. This yield reflects satisfaction with the recently announced increase in the group's half yearly profits but caution about what the proposed reorganisation of the business of Prices Trust may bring forth. It is a moot point whether it also reflects the danger that next year may see less buoyant clothing sales than in 1953—but then that is a criticism of the prices of clothing and textile shares in general.

THE ACTUARIES' INVESTMENT INDEX

Group	Price Indices (Dec. 29, 1950=100)					Average Yields (per cent)				
	Nov. 25, 1952	Dec. 29, 1952	Sept. 29, 1953	Oct. 27, 1953	Nov. 24, 1953	Nov. 25, 1952	Dec. 30, 1952	Sept. 29, 1953	Oct. 27, 1953	Nov. 24, 1953
2½% Consols.....	85.6	82.4	90.1	90.0	91.2	4.13	4.29	3.92	3.93	3.88
Debt securities:										
Industrial.....	81.4	81.1	86.7	87.2	87.3	5.06	5.08	4.75	4.72	4.71
Investment trust.....	81.2	81.8	87.5	88.1	88.8	5.08	5.05	4.72	4.68	4.65
Preference stocks:										
Industrial.....	85.4	85.6	91.0	91.5	91.6	5.31	5.30	4.98	4.96	4.95
Investment trust.....	82.5	84.0	87.1	87.6	87.7	5.35	5.25	5.06	5.03	5.03
Ordinary stocks:										
Banks.....	81.3	81.2	92.2	97.3	98.4	4.97	4.98	4.44	4.26	4.27
Industrial insurance.....	97.1	97.8	113.3	114.3	116.6	5.85	5.80	5.09	5.04	4.94
Investment trust.....	109.9	110.5	127.0	129.9	134.2	5.72	5.69	5.43	5.44	5.26
Electrical engineering.....	93.4	93.7	99.8	103.9	105.5	5.89	5.91	5.91	5.42	5.59
Engineering.....	101.7	105.1	111.5	113.5	115.9	5.44	5.34	5.30	5.20	5.07
Motors and aircraft.....	101.7	105.1	116.7	117.3	115.0	6.55	6.36	5.82	5.86	6.11
Breweries.....	98.6	98.2	98.2	96.2	103.2	6.47	6.50	6.61	6.75	6.32
Chain stores.....	108.5	108.2	145.9	148.5	152.2	4.56	4.58	4.32	4.25	4.33
Cotton textiles.....	85.6	85.9	101.6	104.8	106.9	7.81	7.74	6.26	6.09	5.98
Household goods.....	87.6	90.3	103.7	104.9	109.8	6.65	6.62	5.20	5.22	5.05
Rayon.....	71.4	70.9	77.2	79.8	79.8	7.83	7.52	4.52	4.30	4.27
Tobacco.....	80.6	84.9	84.8	87.5	90.5	7.11	6.83	6.95	6.73	6.52
Wool textiles.....	78.3	79.4	98.6	100.9	102.2	6.65	6.48	5.82	5.64	5.47
Chemicals.....	113.7	114.0	123.1	126.5	127.3	5.52	5.51	5.09	4.94	5.03
Oil.....	104.3	104.7	115.7	118.0	122.3	7.05	7.14	6.71	6.60	6.52
Shipping.....	99.4	101.9	114.5	118.2	116.7	7.05	7.05	6.66	6.46	6.53
Total (capital goods).....	101.0	102.9	109.6	112.0	113.2	5.94	5.87	5.82	5.67	5.70
Total (consumption goods).....	89.8	91.7	103.6	106.0	109.7	6.63	6.48	5.95	5.83	5.63
Total industrial (all classes).....	96.1	97.5	107.2	109.8	112.4	6.38	6.29	5.92	5.79	5.72

THE ECONOMIST, DECEMBER 5, 1953

LONDON STOCK EXCHANGE

Next Account begins: December 9th.
Next Contango Day: December 9th.
Next Settlement Day: December 15th.

AFTER remaining quietly firm before the week-end, the stock markets had a patchy appearance this week; in general, price movements were small but irregular as investors awaited the outcome of Wednesday's 24-hour strike in the engineering industry. Gilt-edged stocks showed few net changes; on Wednesday itself they regained most of the very slight losses reported earlier in the week. Dominion and Colonial Government stocks were also little changed, although the new Australian loan gradually improved until on Wednesday it was quoted for the first time at par. There was little activity in the foreign market, where Japanese and German stocks tended to give way a little through lack of support. The Havana Railway stocks were marked up when it was known that the Cuban government's payment for the purchase of its assets had at last reached London.

In a listless industrial market, prices were inclined to give way at the beginning of the week, but they turned slightly firmer on Wednesday; in the week to Wednesday's close the *Financial Times* ordinary share index lost one tenth of a point to 128.0. The shares of Savoy Hotel were, of course, an exception; they moved very violently—but also very erratically—both before and after the publication of the interim report on the Board of Trade enquiry. Elsewhere, investors were concentrating on companies where dividend increases were expected in the near future. Hawker Siddeley shares were among those marked up for this reason; so were Shell shares in an oil market that was otherwise no more than steady.

Tea shares were in good demand and were marked up throughout almost the whole list; but rubber shares, which had been improving for some time, were marked down on the fall in the price of the commodity. Kaffir shares, which were the brightest feature of the market the week before, also dropped out of favour again and slight losses were scattered throughout the market.

FINANCIAL TIMES INDICES

1953	Security Indices		Yields	
	Ord.*	Fixed Int.†	2½% Cons.	Ord.
Nov. 25...	128.1	112.49	3.85	5.50
" 26...	128.2	112.54	3.84	5.49
" 27...	128.3	112.55	3.84	5.50
" 30...	128.0	112.55	3.84	5.52
Dec. 1...	127.8	112.47	3.86	5.52
" 2...	128.0	112.47	3.86	5.52
1953, High.	131.5	112.55	Nov. 25	8,997
(Nov. 4)	113.9	105.68	" 26	8,352
(May 20)	113.9	105.68	" 27	8,349
" Low.	121.5	106.66	Dec. 1	8,536
(Jan. 1)	103.1	100.67	" 2	8,139
(June 24)				

* July 1, 1935=100. † 1928=100.

LONDON ACTIVE SECURITIES

Prices, 1953 Jan 1 to Dec. 2		BRITISH FUNDS AND GUARANTEED STOCKS		Price, Nov. 25, 1953	Price, Dec. 2, 1953	Net Yield, Dec. 2, 1953 s	Gross Yield, Dec. 2, 1953 s d.	Prices, 1953 Jan. 1 to Dec. 2	Last Two Dividends (a) (b) (c)	ORDINARY STOCKS	Price, Nov. 25, 1953	Price, Dec. 2, 1953	Yield, Dec. 2, 1953 s. d.			
High	Low					£ s. d.	£ s. d.	High	Low							
00 1/2	99 1/2	War Bonds 2 1/2% '52-54...	100 1/2	100 1/2		0 18 5	2 2 8 1/2	47/6	32/3	12 1/2	15 c	15 c	STEEL & ENGINEERING	42/6*	42/3*	4 7 2
00 1/4	98 1/4	Exchequer 2 1/2% 1955...	102 1/2	102 1/2		1 6 6	2 3 9	15 1/4	10/10 1/2	15 c	5 a	5 a	Cammell Laird 5/-	15/-	14/-	6 12 10 1/2
00 1/2	99 1/2	Exchequer 3% 1960...	102 1/2	102 1/2		1 12 11	2 14 4	55/4	45/3	10 b	5 a	5 a	Guest Keen N'fold £1.	51/-	49/6	6 1 3
00 1/4	98 1/4	Exchequer 3% '62-63...	100*	100*		1 12 11	2 19 10 1/2	25/4	24/8	...	...	...	United Steel £1.	24/9	24/10 1/2	...
00 1/2	99 1/2	Serial Funding 1 1/2% 1954...	99 1/2	99 1/2		1 3 0	1 19 8	52/-	44/6	12 1/2 b	2 1/2 a	2 1/2 a	Vickers £1.	51/6	50/9	5 18 3
99 1/2	99 1/2	Serial Funding 2 1/2% 1957...	99 1/2	99 1/2		1 6 7	2 7 3						TEXTILES			
01 1/4	100 1/4	Serial Funding 3% 1955...	101 1/2	101 1/2		0 18 4	2 5 11	34/-	21/4 1/2	7 b	4 a	4 a	Bradford Dyers £1...	30/6	29/-	7 11 9
00 1/2	99 1/2	War Bonds 2 1/2% '54-56...	100 1/2	100 1/2		1 2 3	2 7 3 1/2	28/9	21/4 1/2	12	6 a	6 a	Brit. Celanese 10/-	25/9	25/3	6 6 9 1/2
00 1/4	98 1/4	Funding 2 1/2% '52-57...	100 1/2	100 1/2		1 6 8	2 11 1 1/2	49/9	47/4	7 1/2 b	5 a	5 a	Coats (J. & P.) £1...	44/6*	44/-*	5 13 8
01 1/4	99 1/4	Nat. Del. 3% '54-58...	101 1/2	101 1/2		1 5 10	2 15 10 1/2	49/3	31/3	6 1/2 b	5 a	5 a	Courtaulds £1.	46/-	45/3	4 19 5
02 1/4	99 1/4	War Loan 3% '55-59...	101 1/2	101 1/2		1 6 11	2 14 4 1/2	53/9	38/6	10 b	5 a	5 a	Lanes, Cotton £1.	51/9	51/9	5 15 11 1/2
97 1/2	91 1/2	Savings Bonds 3% '55-65...	97 1/2	97 1/2		1 19 0	3 7 4 1/2	69/6	49/-	4 a	16 b	16 b	Patons & Baldwins £1	68/-	67/9	5 18 1
98 1/2	93 1/2	Funding 2 1/2% '56-61...	98	97 1/2		1 14 0	2 17 4 1/2	44/6	36/6	7 1/2 a	12 1/2 b	12 1/2 b	Assoc. Elect. £1.	42/6	42/6	4 14 1 m
92 1/2	86 1/2	Funding 3% '59-69...	92 1/2	92 1/2		2 5 2	3 13 10 1/2	40/10 1/2	33/3	2 a	8 b	8 b	Brit. Insulated £1...	39/-	39/-	5 2 7
95 1/2	87 1/2	Funding 4% '60-90...	95 1/2	95 1/2		2 1 9	3 10 6 1/2	61/-	51/-	10 b	5 a	5 a	English Elect. £1.	60/-	60/-	5 0 0
102 1/2	98 1/2	Savings Bonds 3% '60-70...	101 1/2	101 1/2		1 19 8	3 16 0 1/2	46/-	36/6	3 1/2 a	7 1/2 b	7 1/2 b	General Elect. £1.	40/-	40/-	5 12 6
91 1/2	85 1/2	Savings Bonds 2 1/2% '64-67...	90 1/2	91 1/2		2 5 6	3 14 7 1/2						MOTOR & AIRCRAFT			
103 1/2	100 1/2	Victory 4% '20-35...	102 1/2	102 1/2		2 0 6	3 16 11 1/2	19/6	15/6	6 1/2 b	3 1/2 a	3 1/2 a	Britol Aero 10/-	17/9	17/6	5 12 10
89 1/2	82 1/2	Savings Bonds 3% '65-75...	89 1/2	89 1/2		2 6 0	3 15 7 1/2	7/7 1/2	5 1/2	4 a	6 1/2 b	6 1/2 b	British Motor 5/-	6 1/2*	6 1/2*	8 1 6
96 1/2	86 1/2	Consols 4% aft. Feb. '57...	95 1/2	95 1/2		2 6 7	4 5 3 1/2	37/3	25 1/2	15 c	15 c	15 c	De Havilland £1.	27/9	27/9	5 8 1
86 1/2	77 1/2	Consol. 3 1/2% aft. April '61...	86 1/2	86 1/2		2 4 9	4 1 7 1/2	49/-	36/6	5 1/2 b	6 a	6 a	Hawker Siddley £1.	45/3	48/3	4 15 4
65 1/2	57 1/2	Treas. 2 1/2% aft. April '75...	64 1/2	64 1/2		2 2 9	3 18 0 1/2	96/3	78/6	25 c	25 c	25 c	Lealand Motors £1.	87/6	87/6	5 14 3
76	67 1/2	Treas. 3% aft. April '66...	75 1/2	75 1/2		2 3 10	3 19 10 1/2	30/9	24/-	25 c	2 a	2 a	Raleigh Ind. £1.	30/-	28 1/2	5 18 6 1/2
94 1/2	87 1/2	Treas. 3 1/2% '77-80...	93 1/2	93 1/2		2 5 6	3 18 5 1/2	71/3	58/6	10 b	5 a	5 a	Rolls Royce £1.	66/3	66/3	4 10 7
94 1/2	90 1/2	Treas. 3 1/2% '79-81...	94 1/2	94 1/2		2 4 11	3 18 5 1/2	7/3	5/3 1/2	12 c	12 c	12 c	Standard Motor 5/-	5/6	5/9	10 8 8
86	76	Redemption 3% '86-96...	85 1/2	85 1/2		2 3 8	3 14 1 1/2						SHOPS & STORES			
87 1/2	77 1/2	War L'n 3 1/2% aft. Dec. '52...	85 1/2	85 1/2		2 5 1	4 2 0 1/2	23/3	19/-	20 c	5 a	5 a	Boots Pure Drug 5/-	21/9	21/9	4 11 11
65 1/2	58 1/2	Consols 2 1/2%	65	64 1/2		2 2 5	3 17 0 1/2	38/9	16/6 1/2	12 1/2 a	37 1/2 b	37 1/2 b	Debenham & 5/-	34/9	33/6	5 19 5 1/2
89 1/2	83 1/2	Br. Elec. 3% '68-73...	89	89		2 6 8	3 15 11 1/2	103/-	85/7 1/2	17 1/2 b	5 a	5 a	Lions (L.) "A" £1.	90/-	91/3	4 18 1
89 1/2	82 1/2	Br. Elec. 3% '74-77...	88 1/2	88 1/2		2 5 9	3 15 3 1/2	67/9	46/3	35 b	20 a	20 a	Marks & Spen. "A" 5/-	65/6*	66/6*	4 10 2
103 1/2	99 1/2	Br. Elec. 4 1/2% '74-79...	103 1/2	103 1/2		2 2 10	4 0 10 1/2	63/6	44/3	55 c	20 a	20 a	Woolworth 5/-	61/6	61/-	4 2 8
94 1/2	88 1/2	Br. Elec. 3 1/2% '76-79...	93 1/2	94		2 4 9	3 17 7 1/2						OIL			
86 1/2	76 1/2	Br. Trans. 3% '78-88...	84 1/2	84 1/2		2 5 9	3 15 9 1/2	8 1/2	5 1/2	30 b	5 a	5 a	Anglo-Iranian £1.	8 1/2	8 1/2	4 6 10
89 1/2	83 1/2	Br. Trans. 3% '68-73...	89	89		2 6 9	3 16 0 1/2	58/7 1/2	40/11 1/2	12 1/2 b	24 a	24 a	Burmah Oil £1.	56/3	55/7 1/2	5 7 11
101 1/2	95 1/2	Br. Trans. 4% '72-77...	100*	100*		2 3 4	3 19 2 1/2	34 1/2	29 1/2	4 a	12 b	12 b	Royal Dutch 100 fl.	433 1/2	434	4 9 0
86 1/2	76 1/2	Br. Gas 3% '90-95...	85 1/2	86		2 3 9	3 13 6 1/2	95/-	75/7 1/2	5 1/2 a	10 b	10 b	Shell Reg. £1.	93 1/2	94/4	5 15 7
96 1/2	91 1/2	Br. Gas 3 1/2% '69-71...	96 1/2	96 1/2		2 3 9	3 16 7 1/2	35 1/2	23/-	5 1/2 a	15 b	15 b	Trinidad L. holds 5/-	34/-*	32 9/8	5 11 1
101	98 1/2	Br. Gas 4 1/2% '69-72...	100 1/2	100 1/2		2 3 4	3 19 9 1/2						SHIPPING			
								44 1/2	34/6	13 1/2 b	24 a	24 a	Cunard £1.	37/-	36/6	8 15 4

Statistics

The following list shows the most recent date on which each statistical page appeared.

BRITISH		OVERSEAS	
Prices and Wages.....	This week	Western Europe :	This week
Production and Consumption	Nov. 14th	Production and Trade.....	Nov. 14th
Manpower.....	Nov. 21st	British Commonwealth	Nov. 14th
External Trade.....	Nov. 28th	Western Europe :	Nov. 21st
Financial Statistics	This week	Prices and Money Supply	Nov. 28th
Industrial Profits.....	Oct. 17th	United States	Nov. 28th
		World Trade.....	Oct. 17th

Prices and Wages

	Unit	1950	1951	1952	1952			1953			
		mid-June			Nov. 19	Nov. 26	Dec. 3	Nov. 10	Nov. 17	Nov. 24	Dec. 1
WORLD PRICES											
Commodity Price Indicator :											
All items	1952=100	90	126	99	94	93	94	92	93	93	94
Food	"	90	114	100	96	96	97	100	100	100	100
Fibres	"	101	167	99	81	83	83	89	90	87	87
Metals	"	75	99	100	93	92	93	78	78	79	79
Other items	"	97	131	96	106	103	107	100	102	102	102
Monthly averages											
		1950	1951	1952	1952			1953			
					Aug.	Sept.	Oct.	July	Aug.	Sept.	Oct.
BRITISH WHOLESALE PRICES											
Old series :											
All articles	1938=100	258.7	315.0	323.3	320.3	318.1	321.4	324.7	322.3	321.5	320.9
Food and tobacco	"	227.3	253.9	292.0	295.5	292.1	301.1	321.9	316.1	313.6	310.7
Materials used in :											
Non-food manufacturing	June 30, 1949=100	138.6	193.3	162.1	157.2	154.9	153.6	143.7	142.6	142.8	142.7
Mechanical engineering	"	113.2	134.3	149.9	151.9	151.4	150.6	144.5	143.2	143.2	144
Electrical machinery	"	122.0	151.9	165.4	169.3	168.3	166.6	152.8	149.7	150.0	153
Building and civil engineering	"	106.1	125.6	133.6	133.4	133.2	130.7	130.5	130.4	130.1	129.9
House building	"	105.2	123.0	130.6	130.4	130.1	123.7	128.5	128.6	128.4	128.4
Commodities :											
Cotton, raw	"	156.8	223.2	171.9	163.5	164.9	156.6	140.9	140.6	139.8	141.0
Wool, raw	"	195.8	252.3	147.9	158.5	150.2	157.3	171.1	171.1	173.6	174.6
Rubber, No. 1 RSS, one month future	"	324.6	499.1	282.8	254.3	223.6	218.2	192.5	189.1	189.1	171.3
Softwood, imported	"	95.3	143.5	158.0	151.4	151.3	151.4	140.9	140.0	138.3	137.8
Copper, ex-warehouse (*)	"	152.2	187.5	220.7	242.6	242.6	242.6	214.5	197.9	201.3	204.1
UK RETAIL PRICES											
Interim index :											
All items	June 17, 1947=100	114	125	136	137	136	138	141	140	140	140
Food	Jan. 15, 1952=100	...	...	102.6	103.2	103.0	103.9	106.6	105.9	105.7	105.7
	"	...	...	105.4	106.8	106.1	108.3	113.7	111.7	111.0	110.6
1938=100											
All items	"	185	202	221	222	222	223	229	228	227	227
Food	"	172	191	221	224	222	227	238	234	233	232
Rent and rates	"	114	119	122	123	123	124	130	130	130	131
Clothing	"	216	249	259	255	254	253	253	253	253	255
Fuel and light	"	161	177	197	196	197	198	205	205	207	207
Household durable goods	"	245	288	294	292	291	289	284	284	285	285
Drink	"	314	318	386	386	386	386	387	387	387	387
Tobacco	"	314	318	386	386	386	386	387	387	387	387
Purchasing power of £ (based on all consumer spending)	"	52	48	45	45	45	44	43	44	44	44
UK TERMS OF TRADE											
Import prices :											
All items	1952=100	76	102	100	97	96	95	87	87	87	87
Food, drink and tobacco	"	83	96	100	100	99	98	97	96	95	95
Raw materials	"	71	110	100	95	93	93	80	81	80	81
Export prices :											
All items	"	81	95	100	100	99	99	96	97	97	97
All manufactures	"	80	95	100	100	99	99	96	97	97	97
Metals and engineering goods	"	80	89	100	101	101	102	101	101	100	100
Textiles and clothing	"	84	110	100	95	93	92	92	93	94	94
Terms of trade :											
Ratio of import to export prices	"	95	108	100	97	97	96	91	90	90	90
SHIPPING FREIGHTS											
Tramp shipping freights (fixed in sterling)	"	...	...	100.0	71.2	76.3	84.9	75.8	73.9	73.9	77.7
UK WAGES											
Weekly wage rates :											
All workers	June 30, 1947=100	111	120	130	130	131	131	136	136	137	134
Men	"	110	119	129	129	130	130	134	135	135	135
Women	"	114	123	133	133	135	136	140	141	141	142
Weekly earnings (*) :											
All workers	s. d.	128 0	141 1	151 11	...	...	151 11	...	...	...	...
Men	"	150 5	166 0	178 6	...	...	178 6	...	...	...	...
Women	"	82 7	90 1	96 4	...	...	96 4	...	...	...	...
1938=100											
All workers	"	240	265	285	...	...	285	...	...	...	...
Men	"	218	241	259	...	...	259	...	...	...	...
Women	"	254	277	296	...	...	296	...	...	...	...

(*) The index of retail prices has been linked back to 1938 with the aid of calculations made by Professor R. G. D. Allen for the London and Cambridge Economic Service. (†) Surveys made twice a year; annual figures relate to October survey. (‡) Figures up to July, 1953, relate to delivery prices and subsequently to ex-warehouse prices of H.C. electrolytic copper.

Production and Trade in Western Europe

	Austria	Belgium	Denmark	France	Germany, F.R.	Greece	Ireland	Italy	Netherlands	Norway	Sweden	Turkey
INDUSTRIAL PRODUCTION (1) (1948 = 100)												
1938.....	118	82	77	90	193	132	76	101	89	81	67	64
1951.....	179	118	121	125	218	171	133	144	128	133	112	118
1952.....	181	114	116	131	231	170	124	146	130	133	110	133
1953.....												
May.....	174	116	122	132	249	183	139 ^a	161	135	132	115	...
June.....	189	113	121	132	250	188	...	157	144	146	117	...
July.....	186	105	85	119	241	192	...	172	142	100	55	...
August.....	...	109	120	95	244	195	...	137	142	137	110	...

VALUE OF EXTERNAL TRADE (2)												
Monthly averages or calendar months	Imports (c.i.f.)											
	mn. schillings	mn. francs	mn. kroner	'000 mn. francs	mn. D. marks	'000 mn. drachmas	mn. £	'000 mn. lire	mn. guilders	mn. kroner	mn. kroner	mn. £ T.
1938.....	50	1,922	135	3.84	505	1.2	3.45	0.94	118	99	174	12.5
1951.....	1,169	10,600	582	133.94	1,227	497.9	17.04	112.80	797	521	766	93.8
1952.....	1,163	10,252	554	132.64	1,350	432.9	14.35	120.48	694	520	746	129.7
1953.....												
June.....	1,143	9,710	523	135.13	1,338	677.2	14.46	127.94	758	600	682	129.3
July.....	996	10,126	583	119.14	1,284	715.6	15.61	120.11	750	434	649	128.7
August.....	1,056	9,413	499	100.98	1,244	709.0	13.07	103.25	715	457	585	125.4
September.....	993	10,412	622	117.98	1,359	...	13.40	119.63	783	523	668	124.9
EXPORTS (f.o.b.)												
1938.....	30	1,806	128	2.55	468	0.9	2.02	0.88	87	65	154	12.1
1951.....	803	11,047	482	123.24	1,215	427.2	6.79	85.62	610	369	767	73.3
1952.....	900	10,212	489	118.04	1,409	449.9	8.41	72.02	660	337	674	84.7
1953.....												
June.....	1,139	9,535	534	127.29	1,554	202.3	9.40	72.34	628	298	697	85.8
July.....	1,178	9,057	473	108.01	1,564	153.1	10.09	81.13	627	286	660	61.2
August.....	1,208	8,435	465	93.32	1,499	123.3	9.79	70.51	620	305	625	58.0
September.....	1,252	9,527	522	102.24	1,508	...	11.50	75.00	768	304	707	74.1
BALANCE												
1938.....	- 20	- 116	- 7	- 1.29	- 37	- 0.4	- 1.43	- 0.06	- 31	- 33	- 20	- 0.4
1951.....	- 366	+ 447	- 100	- 10.70	- 12	- 370.7	- 10.25	- 27.18	- 187	- 153	+ 1	- 20.5
1952.....	- 263	- 39	- 65	- 14.60	+ 59	- 283.0	- 5.94	- 48.46	- 34	- 183	- 72	- 45.0
1953.....												
June.....	- 5	- 175	+ 11	- 7.83	+ 216	- 474.9	- 5.06	- 55.60	- 130	- 302	+ 15	- 43

Financial Statistics

EXCHEQUER RETURNS

For the week ended November 28th there was an "above-line" deficit (after allowing for Sinking Funds) of £7,422,000 compared with a deficit of £34,254,000 in the previous week and a deficit of £34,288,000 in the corresponding period last year, bringing the cumulative deficit to £364,022,000 (£399,466,000 in 1952-53). Net expenditure "below-line" absorbed £5,524,000, bringing the total cumulative deficit to £643,143,000 (£768,005,000 in 1952-53).

£'000	Estimate, 1953-54	April 1, 1952 to Nov. 29, 1952	April 1, 1953 to Nov. 28, 1953	Week ended Nov. 29, 1952	Week ended Nov. 28, 1953
Ord. Revenue					
Income Tax	1782,250	584,943	560,382	14,470	13,090
Sur-tax	127,000	43,600	42,400	3,400	3,500
Death Duties	160,000	98,500	107,200	1,300	1,600
Stamps	52,000	32,750	36,100	5,400	3,500
Profits Tax & E.P.T.	214,000	270,300	135,900	...	900
Excess Profits Levy	99,500	...	44,350	...	...
Special Contribution and other	1,000	1,110	620	...	...
Inland Revenue					
Total Inland Rev.	2435,750	1031,203	926,952	25,870	23,790
Customs	1044,300	692,584	710,383	18,532	21,140
Excise	680,480	509,718	506,350	23,225	23,377
Total Customs and Excise	1724,780	1202,302	1216,733	41,757	44,517
Motor Duties	69,000	15,440	17,605	...	Dr 2000
PO (net receipts)	2,685	...	3,700	1,669	2,022
Broadcast Licences	16,000	8,250	9,200	23	28
Sundry Loans	25,000	19,378	19,880	101,390	70,570
Miscellaneous	95,000	77,464	86,481	2,300	1,101
Total	4368,215	2354,036	2280,550	71,527	69,058
Ord. Expenditure					
Debt Interest	615,000	372,027	377,878	2,333	3,310
Payments to N. Ireland Exchequer	48,000	25,138	30,317	1,669	2,022
Other Cons. Fund	10,000	5,610	5,530	23	28
Supply Services	3586,286	2329,077	2208,861	105,415	75,930
Total	4259,286	2731,852	2622,586	105,415	75,930
Sinking Funds	...	21,650	21,986	400	550
"Above-line" Surplus or Deficit	-399,466	-364,022	-342,888	-7,422	-7,422
"Below-line" Net Expenditure	368,539	279,121	11,686	5,524	5,524
Total Surplus or Deficit	-768,005	-643,143	-459,774	-12,946	-12,946
Net Receipts from:					
Tax Reserve Certificates	104,231	187,205	8,153	6,003	...
Savings Certificates	700	10,950	100	100	...
Defence Bonds	38,361	32,795	154	58	...

FLOATING DEBT (£ million)

(£ million)					
Date	Treasury Bills		Ways and Means Advances		Total Floating Debt
	Tender	Tap	Public Depts.	Bank of England	
1952					
Nov. 29.....	4,508.7*		273.8	4.0	4,786.5
1953					
Aug. 29.....	3,350.0	1,407.6	229.3	...	4,987.0
Sept. 5.....	3,370.0	1,414.0	219.2	...	5,003.2
" 12.....	3,400.0	1,395.8	251.7	...	5,047.5
" 19.....	3,430.0	1,382.1	280.0	...	5,092.2
" 30.....	4,803.1		273.4	...	5,076.5
Oct. 10.....	4,525.8*		245.9	...	4,771.7
" 17.....	4,552.2*		262.2	...	4,814.3
" 24.....	4,550.4*		264.1	...	4,814.5
" 31.....	4,538.1*		254.9	1.3	4,794.3
Nov. 7.....	4,535.2*		250.0	...	4,785.2
" 14.....	4,591.7*		253.9	...	4,845.5
" 21.....	4,604.2*		268.8	...	4,873.0
" 28.....	4,620.5*		254.0	...	4,875.1

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

THE MONEY MARKET

LOMBARD STREET has had another comfortable week. On Thursday before the weekend credit supplies were only just adequate for demands, and on Monday small official help was needed by a few houses; but on the four other days of the week covered by the latest Bank return credit was so plentiful that the authorities sold bills to mop up surplus funds.

The market maintained its bid at £99 9s. 6d. per cent for the seventh week in succession at the Treasury bill tender on November 27th; but as total applications fell by £6 million (to £368.4 million) for an offer that had been stepped up by £10 million (to £240 million) the market's allotment rose from 43 to 50 per cent of its bid. The average rate of discount rose by ½d. to £2 1s. 11.45d. per cent. At yesterday's tender the offer was raised by another £10 million, to £250 million.

The Bank return shows an outflow of £16.7 million of notes; as the fiduciary issue has been raised by £50 million to £1,625 million, the reserve in the banking department now stands at £58.8 million. Early Christmas shopping seems to have been at about the same level as a year ago—the rise in the active circulation since the seasonal low point in mid-October has been £36 million, compared with a rise of £38 million in the equivalent weeks of 1952—but the total active circulation, at £1,566½ million, is £85 million higher than a year ago. Government securities held in the banking department fell by only £23.1 million despite the transfer of £50 million of securities to the issue department, and bankers' deposits rose by £1.4 million despite the note efflux.

LONDON MONEY RATES

Bank rate (from 4% 17/9/53)	3½
Deposit rates (max)	
Banks	1½
Discount houses	1½
Money —Day-to-day	1½-2½
Short periods	1½-2½
Treas. bills	
2 months	2½
3 months	2½
Discount rates	
Bank bills: 60 days	2½
3 months	2½
4 months	2½-2¾
6 months	2½-2¾
Fine trade bills:	
3 months	3½-4½
4 months	3½-4½
6 months	4-4½

LONDON CLOSING EXCHANGE RATES

	Official Rates	Market Rates: Spot					
	Dec. 2	Nov. 26	Nov. 27	Nov. 28	Nov. 30	Dec. 1	Dec. 2
United States \$	2-78-2-82	2-81½-2-81½	2-81½-2-81½	2-81½-2-81½	2-81½-2-81½	2-81-2-81½	2-81½-2-81½
Canadian \$	2-74½-2-74½	2-74½-2-74½	2-74½-2-74½	2-74½-2-74½	2-74½-2-74½	2-74½-2-74½	2-74½-2-74½
French Fr.	972-65-987-35	980½-980½	980½-980½	980½-980½	980½-980½	980½-980½	980½-980½
Swiss Fr.	12-15½-12-33½	12-23-12-23½	12-23-12-23½	12-23-12-23½	12-23-12-23½	12-23-12-23½	12-23-12-23½
Belgian Fr.	139-55-141-05	140-20-140-30	140-20-140-30	140-20-140-30	140-20-140-30	140-05-140-15	140-05-140-15
Dutch Gld.	10-55-10-72	10-65½-10-65½	10-65½-10-65½	10-65½-10-65½	10-65½-10-65½	10-65½-10-65½	10-65½-10-65½
W. Ger. D-Mk.	11-67½-11-84½	11-71½-11-72	11-71½-11-72	11-71½-11-72	11-71½-11-72	11-71½-11-72	11-71½-11-72
Portuguese Esc.	79-90-81-10	79-90-80-00	79-90-80-00	79-90-80-00	79-90-80-00	79-90-80-00	79-90-80-00
Swedish Kr.	14-37½-14-59½	14-48½-14-49½	14-48½-14-49½	14-48½-14-49½	14-48½-14-49½	14-48½-14-49½	14-48½-14-49½
Danish Kr.	19-19½-19-48½	19-40½-19-41½	19-41½-19-41½	19-41½-19-41½	19-40½-19-41½	19-40½-19-41½	19-41½-19-41½
Norwegian Kr.	19-85-20-15	19-98½-19-98½	19-98½-19-98½	19-98½-19-98½	19-98½-19-98½	19-98½-19-98½	19-98½-19-98½
One Month Forward Rates							
United States \$	1c. pu. par	1c. pu. par	1c. pu. par	1c. pu. par	1c. pu. par	1c. pu. par	1c. pu. par
Canadian \$	1½-3½ dis	1½-3½ dis	1½-3½ dis	1½-3½ dis	1½-3½ dis	1½-3½ dis	1½-3½ dis
French Fr.	2½-3½ pu	2½-3½ pu	2½-3½ pu	2½-3½ pu	2½-3½ pu	2½-3½ pu	2½-3½ pu
Swiss Fr.	1½-2½ pu	1½-2½ pu	1½-2½ pu	1½-2½ pu	1½-2½ pu	1½-2½ pu	1½-2½ pu
Belgian Fr.	1½-2½ pu	1½-2½ pu	1½-2½ pu	1½-2½ pu	1½-2½ pu	1½-2½ pu	1½-2½ pu
Dutch Gld.	1½-2½ pu	1½-2½ pu	1½-2½ pu	1½-2½ pu	1½-2½ pu	1½-2½ pu	1½-2½ pu
W. Ger. D-Mk.	1½-2½ pu	1½-2½ pu	1½-2½ pu	1½-2½ pu	1½-2½ pu	1½-2½ pu	1½-2½ pu
Swedish Kr.	1½-2½ pu	1½-2½ pu	1½-2½ pu	1½-2½ pu	1½-2½ pu	1½-2½ pu	1½-2½ pu
Danish Kr.	1½-2½ pu	1½-2½ pu	1½-2½ pu	1½-2½ pu	1½-2½ pu	1½-2½ pu	1½-2½ pu
Norwegian Kr.	2½-3½ pu	2½-3½ pu	2½-3½ pu	2½-3½ pu	2½-3½ pu	2½-3½ pu	2½-3½ pu

BANK OF ENGLAND RETURNS (£ million)

	1952	1953
	Dec. 3	Nov. 25
Issue Department:		
Notes in circulation	1,481.6	1,549.9
Notes in banking dept.	18.8	25.4
Govt. debt and securities	1,496.8	1,571.7
Other securities	0.7	0.8
Gold coin and bullion	2.9	2.9
Banking Department:		
Deposits:		
Public accounts	9.3	10.3
Treasury special account	26.6	11.5
Bankers	275.0	288.8
Others	70.5	69.9
Total	381.4	380.5
Securities:		
Government	351.4	347.9
Discounts and advances	10.6	7.6
Other	14.1	15.0
Total	376.1	370.5
Banking department reserve	20.3	27.9
"Proportion"	5.3	7.3

* Government debt is £11,015,100, capital £14,553.9. Fiduciary issue raised from £1,575 million to £1,625 million on December 2, 1953.

TREASURY BILLS

Date of Tender	Amount (£ million)			Average Rate of Allotment s. d.	Allotment at Max. Rate %
	Offered	Applied For	Allotted		
1952					
Nov. 28	250.0	328.2	250.0	47 8-24	69
1953					
July 24	240.0	375.6	240.0	46 11-89	55
" 31	250.0	395.5	250.0	46 11-66	48
Aug. 7	260.0	369.6	260.0	47 3-50	54
" 14	270.0	347.9	270.0	47 4-37	71
" 21	270.0	358.2	270.0	47 4-25	67
" 28	280.0	370.2	280.0	46 8-25	77
Sept. 4	300.0	394.6	300.0	47 7-43	66
" 11	300.0	388.0	300.0	47 11-85	68
" 18	280.0	340.6	280.0	43 0-06	80
" 25	270.0	362.2	270.0	42 8-05	70
Oct. 2	280.0	348.2	250.0	42 8-09	63
" 9	250.0	359.5	230.0	42 7-36	49
" 16	230.0	367.7	230.0	41 11-57	51
" 23	240.0	353.2	240.0	41 11-67	55
" 30	240.0	385.9	240.0	41 11-37	45
Nov. 6	220.0	392.5	220.0	41 10-62	34
" 13	230.0	372.9	230.0	41 11-48	45
" 20	230.0	374.5	230.0	41 10-92	45
" 27	240.0	368.4	240.0	41 11-45	50

* On Nov. 27th tenders for 91 day bills at £99 9s. 6d. secured about 50 per cent of the sum applied for; higher tenders were allotted in full. The offering yesterday was for a maximum amount of £250 million.

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 Reserve Funds ... Pak Rs. 10,000,000
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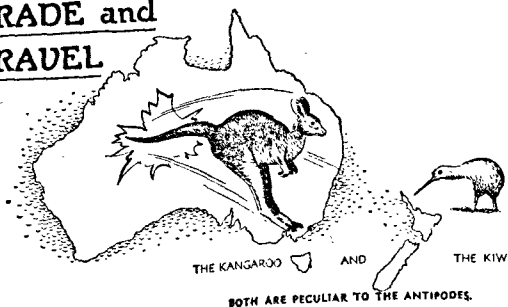
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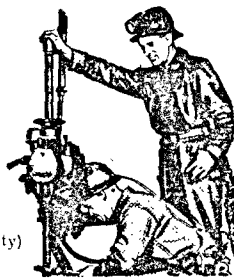
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COMPANY MEETINGS

THE WALL PAPER MANUFACTURERS, LIMITED

WALLPAPER PROFIT MARGIN

IMPORTANCE OF SUBSIDIARIES' CONTRIBUTION

NECESSITY FOR INDUSTRY TO LINK REWARD WITH EFFORT

MR ALFRED WHITTLE ON TAXATION OUTLOOK

The fifty-fourth annual general meeting of The Wall Paper Manufacturers, Limited, was held on November 25th at the Midland Hotel, Manchester.

Mr Alfred Whittle, FCA, Chairman of the Company, who presided, said:

Ladies and gentlemen,—You may recall that a year ago I drew special attention to the difficult trading conditions we had experienced in our wallpaper mills and that during the year to June, 1952, wallpaper manufacture had proved unprofitable. I am glad to say that during the financial year under review the mills as a whole have operated profitably although the profit margin has been extremely low. One important factor contributing to the profitable trading has been the savings in production costs by the closing of three mills which I reported last year. The remaining mills operated more economically by sharing the production previously carried on by the closed branches.

I now refer to the printed accounts and will deal with the salient features of the consolidated accounts which reflect the position of the Group as at June 30th last.

recommend 5 per cent on the Ordinary Stock (making 10 per cent for the year) and 10 per cent on the Deferred Stock (making 15 per cent for the year). If you approve these recommendations there will be an amount of £632,072 to be carried forward to next year, a decrease of £54,143 on the amount brought in.

CONSOLIDATED BALANCE SHEET

Fixed assets at a book value of £5,291,487 are very considerably below today's values. During the year £494,000 has been added, representing capital expenditure on buildings and plant, and a deduction of £397,000 has been made for depreciation, the net increase on capital account, therefore, being almost £100,000. The next item, £60,642, represents an investment made by the Sanderson Company for all the share capital of a well-established wholesale furnishing fabrics company in Canada.

Current assets stand at £15,651,392. Included in this figure is stock in trade valued at £5,549,787, which takes care of known falls in inventory values at June last. Sundry debtors at £3,050,967 and investments totalling £5,002,734 are substantially the same as the previous year. As regards the investments, 89 per cent are in British Government and Colonial securities, Public boards and corporation stocks purchased at or below par value, all of which have fixed dates of redemption. Almost all of the remaining investments are in British banks and insurance companies. Cash at bankers, £2,047,904, is over £1,500,000 higher than at June, 1952, and, on the other side of the balance sheet the amount owing to bankers is £121,518, a decrease of £982,926, which means an improvement in the cash position of £2,503,282. At this stage it would be as well to mention that the Group's current assets at June last—namely £15,651,392—exceed current liabilities and provisions by £10,618,115.

General reserve now stands at £2,328,717, and renewal and development reserve at £1,185,000, both having been increased by the appropriations out of this year's profit by the Parent Company and subsidiary companies. Your directors do not consider it necessary to increase the existing reserve of £400,000 on investments nor to make any further reserve for stock depreciation.

With regard to the general reserve in the Group balance sheet at £2,328,717, the proportion applicable to the Parent Company is £1,800,000, and I shall towards the end of this meeting ask you to authorise a transfer from the Parent Company's reserve of an amount of £1,125,327, and to apply this sum to the Deferred Share capital account for the purpose of issuing bonus shares to the Deferred stockholders.

Reverting now to the reserves of the Group, you will observe that apart from the specific reserves already mentioned there is an amount of £2,235,098 representing the unappropriated profits of the Parent Company and its subsidiaries, and a further amount of £1,520,334, the reserve for future tax-

tion. All these reserves and unappropriated profits amount to £8,879,892, an increase of over £1 million as compared with June, 1952.

Current liabilities and provisions at a figure of £5,033,277 are lower by £1,663,901, mainly due to decreases in the amount owing to bankers and the liability for current taxation.

I think I have given you sufficient information on the accounts, and will now review other aspects in connection with the Group.

BONUS ISSUE

As already mentioned, an issue to the equity stockholders of 1,125,327 Deferred shares of £1 each to be converted into Deferred Stock is to be proposed at this meeting and, if approved, letters of allotment will be posted on November 30th next. This proposal has the unanimous support of your directors and I commend it to the meeting for approval, as it will bring the share capital of the Company more into line with the capital employed in the business and future dividends on the increased capital will reflect a truer yield on total capital than at present. The authorised capital of the Company requires to be increased to provide for the bonus issue and the opportunity is being taken of increasing the capital to £7,500,000 of which £6,470,629 will be issued and £1,029,371 unissued.

IMPROVED SERVICES TO TRADE AND CONSUMER

The daily problems that arise in the manufacturing of and trading in wallpaper compared with those of the Company's other interests continue to make the major demands on the time and energies of your directors. Last year wallpaper manufacture made no money; the loss has this year been turned into a modest profit. While it is a comfort to your directors that the Company's oldest activity is again able to make a contribution to the year's all over favourable result, it would be wrong to assume that the underlying postwar difficulties have eased. The twin evils faced by our wallpaper mills, the excessive cost of paper and the purchase tax, still remain. There can be no permanent improvement until paper prices are very much lower and purchase tax removed. The improvement last year is due entirely to the closing of three of the 12 wallpaper plants and to concentrating the diminished production on the remaining nine. In fact, the profit earned was from even lower wallpaper sales than in the previous year. To accentuate our difficulties the sales were spread unevenly over the year, with the result that our plants were under-employed for many months until a rush of orders came in the late spring. This pattern of trading makes for uneconomic costs. The Company has always, in working out its trading policy with the distributors, tried to even out the flow of orders, not an easy matter in an industry which is both seasonal and swayed by fashion. Your direc-

itors are giving thought to the possibility of levelling out some of the trading fluctuations by spreading out the work on the preparation of the various new collections—in prewar days our new collections issued annually by each mill served all sections of the home trade and all export markets. Now the home market requires much more attention as between the retail shop trade and the decorators' trade. Export trade is more exacting, and special collections are required for some individual markets.

New collections have recently been issued to both sections of the home trade and to a number of export markets. They have had a favourable reception, and orders received so far have been encouraging in that if the flow of orders continues at the same rate we may hope to equal the best of the postwar years—1949-50. This will, however, still leave much headway to make to reach the prewar volume of trade.

During the year a permanent wallpaper Style and Exhibition Centre has been opened at King's House, Manchester, the Company's head office. There the public can see displayed the decorative materials produced by the group: Wallpaper, paints and furnishing fabrics. The Centre is visited every day by people eager to see the latest trends in decoration and to take advantage of the advisory service available at the Centre.

Crown Wallpaper exhibitions have been held in many towns and all have attracted much attention. The standard of display in the retail shops continues to improve and to reflect the public demand for wallpaper of higher quality.

SUBSIDIARIES AT HOME AND ABROAD

As you may remember from reading your directors' report, certain manufacturing subsidiary companies have sustained a trading loss during the past year. The Straw Pulp Manufacturing Company is one and we are taking steps to put this right. The chief reason for its loss has been the fall in the price of wood pulp, which compelled us to reduce our straw pulp prices below an economic level. We have, since the inception of this company, had valuable assistance by its supply of straw pulp to our paper mills when there were shortages of wood pulp, and it would be difficult to assess the real value your Parent Company gained by having additional paper from the pulp supplied by this subsidiary company. In addition, during that period the Straw Pulp Manufacturing Company itself made good profits. The company still remains a valuable unit and we shall do all we can to help it along. Another subsidiary company which has not earned a profit is Micafine, Limited. This company has made substantial progress in sales both at home and abroad, and is at present fully extended in production. There have been the usual teething troubles expected with new processes, but I am glad to say the powdered mica is of very high quality and in steady demand. The Hollins Brush Company had a very lean time during the first half of the year, but since then and up to the present time the company is extremely busy with a full order book. The loss during the financial year was due to the fall in demand for brushes during the first half of the year and to the writing down of stocks of raw materials.

Turning now to the brighter side of trading by our home subsidiaries, our paper producers, Darwen Paper Mill Company, Limited, and Hollins Mill, have earned excellent profits, although the volume of trade was slightly lower than that of the previous year. James Ferguson and Sons, Limited, manufacturers of "Nestorite" plastics and ebonite, also show a good result in spite of a difficult year. The Sanderson group, distributors of wallpaper, paint, etc., and manufacturers and distributors of the world-famous

Sanderson Fabrics, have made excellent progress. During the year, as already stated, this company purchased a business in Canada with a wide distribution of furnishings. The Parent Company's other distributing units, both wholesale and retail, have also had a very successful year with higher profits and an increasing volume in sales of the products manufactured by the Group.

WALPAMUR

I would now like to say a few words about The Walpamur Company, which is one of the largest paint manufacturers in the country. Although the paint trade has been very difficult during the past year The Walpamur Company has had a very successful year, and has succeeded in improving its sales and its profits. In spite of opposition being offered by competitive materials, Walpamur water paint has retained its pre-eminent position, no doubt due to its consistently high quality and dependability. It has also been gratifying to see our trade in Duradio enamel paint and Walpamur Glossy Finish show so satisfactory an increase. Progress is also being made by Novax, which is a synthetic enamel paint proved outstanding for exterior use, while in the field of emulsion paint Peveril is rapidly gaining a first-class name. In the retail trade we have Marvo oil bound washable distemper, Trojox enamel paint, and Marvosheen emulsion paint. During the year The Walpamur Company acquired a paint factory at Port Elizabeth, in South Africa, and I am confident that through it we shall be able to satisfy the demand for Walpamur products in that Dominion.

I now come to our subsidiary companies in Canada. I am sorry to say that, as foreshadowed last year, the Canadian Wallpaper Manufacturers, Limited, has had an unsatisfactory year and has indeed traded at a loss. During the year we closed down the oldest manufacturing mill and with its output absorbed by our other more modern mills we are hoping to see an improvement, though I would not like you to assume from what I have said that we expect any very noticeable improvement during the current year. The present position is that sales so far are lower than those of last year for the same period. As stated in the directors' report, the Dominion Colour Corporation is making progress in both sales and profit. The Crown Diamond Paint Company, Limited, has had a satisfactory year and our very modern manufacturing unit at Montreal, which compares favourably with the most up-to-date plants, is proving a profitable investment.

RAW MATERIALS AND PLANNING

In recent years one of the most worrying responsibilities your company has had to face has been the buying of raw materials and the fixing of the level at which stocks of raw materials and semi-manufactured and finished goods should be kept. The instability over even short period of time of raw material prices and the quick changes in the supply position from scarcity to adequacy make the long-term planning of production very difficult. Miscalculations can have the most serious effects by either holding up production or throwing up big losses due, not to trading, but to a drop in raw material prices. The variations in the volume of stocks held by businesses as a whole is becoming recognised as a disturbing factor of some importance, meriting study by those interested in business economics.

GROUP'S BIG EXPORT TRADE

Your Company has roots in the export markets going back in some cases over a century. The total export trade runs into a

very substantial figure, cretonnes and wallpaper in roughly equal shares taking first place followed by paints, plastic moulding powders and powdered mica and brushes.

LABOUR CONSIDERATIONS

An increase in wage rates took place in the wallpaper mills during the year. We are now, within ten months, faced with an application for another advance. This annual pressure for wage revisions has become a feature of the industry in postwar days. Placed as we are between persistently high raw material costs and the refusal or inability of the public to pay inflated prices for wallpaper, the raising of wages unaccompanied by a corresponding increase in output can only lead to an increase in manufacturing expenses, and then to a restriction in demand. The wallpaper industry is not one in which production bonus schemes can be easily operated, at least in some departments, because quality and consistency of production are so important. Nevertheless, the very slender margins between costs and selling prices will force us and the interested unions to consider new forms of wage payments and the spread of working hours, which, when adopted, will give the increased output needed before higher wages and lower selling prices can come.

There is, in my mind, no doubt that the key to a higher standard of living lies in the securing of greater output induced by newly thought out wage systems in conjunction possibly with an extended working week for the plant. Although the wage system in operation in our industry is not as much out of tune with current times and conditions as the wage systems in some of the country's industries, it is realised that nevertheless our task is, as is indeed the national task of industry, to link reward with effort. The aim is simple, but goes to the root of much of our social uneasiness; we want a wage system sensitive to and reflecting productivity in the industry. There are forces distorting the wage structure—the shortage of supply of young people, particularly boys, due to the combined effect of the school-leaving age and the call of National Service; the too narrow gap between the wage of the unskilled and of the craftsman; the working out of the place in industry of married women, especially the part-time worker, and now, as was inevitably expected, settling the problem of retaining elderly workers, sensibly recognised as national necessity, without the injury which would be caused to production by younger men feeling themselves robbed of promotion and financial advancement.

All your directors take a strong and personal interest in labour matters and are contributing to the thought and work which is being put into this important side of the business.

TAXATION AND CAPITAL DEVELOPMENT

In my reviews of recent years I have stressed the grave concern that has been felt by industry through the continued high level of taxation and I, therefore, welcome the abolition of the Excess Profits Levy, which has been most unfair in its incidence. Another very welcome move has been the small reduction in the standard rate of income tax and the reintroduction of initial allowances, which will bring immediate relief to that progressive sector of industry which is constantly spending large sums on extensions and capital equipment. I hope the downward trend in taxation will continue, as it must if industry is to maintain and replace its capital equipment, speed progress and increase productivity out of its own savings and those of investors who are willing to risk their savings in British industry. Lower taxation, resulting in increased savings, will give the capital that is needed to modernise

our industries to meet the competition from other countries, many of whose industries are, comparatively speaking, of recent foundation. The policy of the Chancellor of the Exchequer in giving some relief to industry and to the community is encouraging. We must respond to his policy and prove that he is on the right road in creating greater freedom and incentive for everybody. I am confident that British industry will react to lower taxation by applying the savings from taxation relief to the expansion and improvement of plant which will increase the avenues of employment. We realise that the battle for sound currency—for a pound sterling that the whole world will look up to—must inevitably be a long one. We can, therefore, only hope for gradual easing of the weight of taxation. What we most of all need is the feeling that we shall not, as so often happened between 1945 and 1951, suddenly slip right back again through prematurely relaxing our fiscal efforts.

The acceptance, however, by industry of the prospect of taxation relief coming in small doses should not muzzle businessmen in their criticism of bad taxes. Income tax in itself is a good tax moulded and fashioned over nearly a hundred years to the needs of the state and to the capacities of businesses and individuals. What we object to is the high rate of the tax caused by Government expenditure. The Excess Profits Levy and the purchase tax are, on the other hand, very bad taxes; the former has gone and the latter should disappear as quickly as possible.

HANDICAP OF PURCHASE TAX

You will scarcely need me to remind you of the effect purchase tax has had in handicapping the sale of wallpaper and at times we have indeed been led to wonder whether its effects were not likely to cause a permanent reduction in the sales of that article. There are four bad features about this tax. First, the continuance of the tax after its original purpose has disappeared; second, the fact that it falls with discrimination on a limited range of goods; third, the rate of tax is so high that the artificial values caused by it bear no relation to the economics of the industries concerned; fourth, each downward change in the rate of tax leaves traders holding tax-loaded stocks with a loss.

Hard-won economies in manufacture may reduce the cost of a piece of wallpaper by a farthing or a halfpenny. How futile such efforts must seem when the tax ranges from threepence to two shillings or more a piece.

The indifference of the Department to the position of retailers who, on a reduction in the rate of tax, lose an amount which could make serious inroads into their profits, is indefensible.

I realise that the Chancellor of the Exchequer has to face the hard fact that the annual yield is £260 million and with the nation's finances in their present state it is not unfair to assume that were purchase tax to be abolished that sum would have to be raised by other means. Alternatives are a sales tax or the levying of the present tax over a wider range of goods, but I am inclined to think that of recent months public opinion has come round to favour a gradual reduction in the rates of purchase tax over the present range of commodities until the day arrives when it can be abolished altogether.

FUTURE OUTLOOK

There has been a very definite improvement in the country's economic climate during the last months, and the credit for that must largely go to the Chancellor of the Exchequer. For years we have had to become accustomed to budgets which have

imposed an ever-growing weight of taxation on businesses and on individuals with a resulting continual and cumulative crippling of enterprise and initiative. The spirit behind the last budget and the re-emergence of the Bank Rate to play its time-honoured part were particularly welcomed. Another matter that has given us great encouragement has been the acceptance by the Government of the principle that if our export trade is to be maintained and indeed to be developed regard must be paid to the country's industries as a whole.

The improvement in our national affairs promises much healthier trading conditions. The outlook is hopeful even if tempered with occasional fear about our probable dependence upon the state of trade in the USA. As a nation we are rebuilding our financial reserves and with them our economic reputation. While keeping a wary but friendly eye on the USA might we not remember the immense trading nucleus that we have in the Commonwealth? It is in this wider context that eventually we shall, I hope, find the solution of the problem, first of economic survival and then of growth that at times has seemed almost insoluble.

STAFF AND EMPLOYEES

Before I conclude I am sure you would like me to express on your behalf and on behalf of the Board our appreciation of the loyalty and excellent service given during the past year by all the directors and officials of our many subsidiary companies and all our executive officers, staffs, and employees throughout the Group.

The resolutions confirming the Bonus Issue were approved.

The report and accounts were adopted.

W. & J. LAWLEY

The fourteenth annual general meeting of W. & J. Lawley, Limited, was held on December 2nd in Birmingham.

Mr H. J. Gaunt, in the absence of Mr J. W. Gaunt, Senior, presided, and in the course of his speech said:

The net profit for the year before taxation amounts to £60,380, as compared with £62,674 in the previous year. This satisfactory result has been achieved in a year of very uneven trading conditions. During the first half of the year our facilities were fully occupied with an increased turnover, but in the spring of this year we experienced a sharp recession which was not generally expected, but which was common throughout the trade. For some months our foundries and factory were working only four days a week, though I am happy to say that we are now back on full time. At present we are having to meet extremely competitive prices and are having difficulty in holding our profit margins.

From our year's profits the Inland Revenue are taking in taxation £35,200, which includes an amount for Excess Profits Levy. I must again emphasise the heavy burden of taxation being borne by industry. This year the slice of our profits being taken from us is no less than 58 per cent. The net profits, after taxation, amount to £25,180, out of which your directors again recommend a dividend of 40 per cent, less income tax, leaving £14,180 to be ploughed back into the business.

Looking to the immediate future, we anticipate that trading conditions will be far more difficult than in the years immediately following the war, but I feel that we can face future difficulties with quiet confidence.

The report was adopted.

SOUTH WESTERN INDUSTRIAL CORPORATION

SATISFACTORY RESULTS IN A DIFFICULT YEAR

The nineteenth annual general meeting of South Western Industrial Corporation, Limited, was held on December 2nd in London, Sir William Palmer, KBE, CB (the chairman), presiding. The following is an extract from his circulated statement:

The profit of the group, before charging taxation, amounted to £347,303, as compared with £405,845 for the previous year. Taxation absorbs £169,005 and the profit for the year, after providing for taxation, is, therefore, £178,298 as compared with £162,210 for the previous year. These results, which the directors consider satisfactory, having regard to the trade recession which existed during the first few months of the year, have enabled them, after making certain appropriations and provisions, to provide the preference stock dividend for the year and ordinary share dividends, totalling 12½ per cent, and to carry forward £51,262, a figure slightly in excess of that brought forward from 1952.

The companies in the Pottery group which produce ware of the most competitive type have been producing to capacity during the year and at this date have order books which necessitate delivery quotations twelve months ahead. Their profits for the year have been satisfactory and reflect the wisdom of the mass production policy to which the group has devoted special attention.

The metal group as a whole increased its turnover during the year and profit margins, whilst they have been reduced, were not unsatisfactory from the point of view of reasonable earnings on sales. The outlook is generally brighter than it was a year ago.

TRADING CONDITIONS

The recession in trade to which I referred at the last meeting was still operating during the early months of the year under review, but we shared in the improvement that subsequently occurred in most consumer goods industries. This is shown by the fact that the volume of trading over the year was some 4 per cent higher than that of the previous year.

I referred last year to our anxiety about the cash position of the group in view of the heavy liabilities that we had to face. After spending £50,000 on the acquisition of London Aluminium Company, Limited, shares and some £73,000 on the improvement and expansion of our buildings and plant, not only have creditors and accruing expenses been reduced, but, in addition, we have been able to make a reduction in the bank overdraft. I therefore claim that we have made some progress during the year on the task before us, and am glad to say that further progress has been made in the same direction since then. We accordingly face the future with less anxiety than we did a year ago.

Shareholders will appreciate that this does not mean that we are yet entirely satisfied with the organisation and financial position of the group.

Addressing the meeting, the chairman said: Application is being made to the Capital Issues Committee for permission to proceed with a division of the Corporation into Pottery and Metal groups. It is hoped that proposals can be presented to shareholders early in the New Year.

The report was adopted.

SERCK RADIATORS, LIMITED

VERY SATISFACTORY RESULT

The thirty-fourth annual general meeting of Serck Radiators, Limited, was held on November 27th at Birmingham, Mr W. H. Newton, MA, FCA, the chairman, presiding.

The following is an extract from his circulated statement for the period ended August 1, 1953:

The very satisfactory result of trading for the past year is due to increased turnover consequent upon the full enjoyment during the year by the engineering department of the manufacturing space set free by the transfer of the tube department to Bertha Road. The improvement over the previous year is somewhat increased by the non-current costs of reorganisation which were charged in the 1952 accounts.

The tube mill is working well and fulfilling the main purpose for its erection, by ensuring a regular flow of high quality tubes to the engineering department. Notwithstanding a falling off during part of the year of outside orders, in line with the general setback in the non-ferrous trade, the mill has produced a satisfactory profit and is unquestionably a valuable addition to the organisation.

SERVICE BRANCHES

For the first time for many years the aggregate profit of our branches shows a small decrease compared with the results arising from the abnormal conditions of immediate postwar years during which we were employed in overtaking arrears of maintenance of the many old vehicles on the road. The results obtained are still very good and make a handsome contribution towards our total profit for the year. During the year we have erected a new factory at Exeter, where we were not previously represented.

The notable feature in our balance sheet is a considerable improvement in the liquid position. The reduction of over £190,000 in stock is partly the result of lower prices of raw materials, but also reflects the greater flexibility in buying owing to the freer market. The increase in debtors is a natural corollary of increased turnover. The result of these movements, coupled with the effect of the satisfactory profit, has resulted in the elimination of the acceptance credits for £100,000 and bank overdraft £61,000, and in place thereof we had on August 1st a bank balance of £62,000 and Tax Reserve Certificates for £100,000.

LARGER DISTRIBUTION

My board are pleased to be able to recommend the payment of a final dividend of 6d. per unit, the same rate as last year, but payable on the larger capital of £750,000 as increased by the recent capitalisation of reserves. I know that this quite appreciable increase in our total distribution for the year will be acceptable.

The outlook for the immediate future is encouraging; while in various directions competition becomes keener and demands shift from time to time, nevertheless with an alert management we seem to be able to replace a falling off in one particular type of product, by orders for another, and I see no reason why that happy state of affairs should not continue. We are competitive and the quality of our workmanship is of a high standard. As, therefore, we manufacture a wide range of products required in a great number of important industrial activities, we can look forward to the future with every confidence. The report was adopted.

SMITH'S STAMPING WORKS (COVENTRY), LIMITED

LARGER PROFITS

The fifty-eighth annual general meeting of Smith's Stamping Works (Coventry), Limited, was held on November 30th at Birmingham, Mr J. F. Byrne, chairman, presiding.

The following is his circulated statement for the year to August 1, 1953:

The annual accounts of your company and its subsidiary—Smith Clayton Forge, Limited—have now been consolidated and are presented in that form. Marginal figures for the previous financial period have also been consolidated for the purpose of making ready comparison.

The profits for the year before taxation amount to £244,697 compared with £215,817, an increase of £28,880. Taxation, including excess profits levy which amounts to £35,100 as against £16,600, absorbs £174,912 and after adding the over-provision for income tax at 6d in the £, the net profit is £74,087 compared with £87,198, a reduction of £13,111. For the year ended August 5, 1952, the charge for income tax was reduced by tax on initial allowances to the extent of £23,742. The corresponding relief this year is £3,987. Initial allowances were ended in April, 1952, but have been reintroduced as from April, 1953, and will apply to the heavy capital expenditure now being incurred by both companies.

The foregoing figures further clarify the figures which are shown in the printed accounts and particularly the extent to which taxation affects profits. A dividend of 15 per cent, less income tax, is recommended on the £250,000 of ordinary stock as against a dividend of 12½ per cent and a bonus of 2½ per cent paid last year. This leaves £50,303 to add to reserves and unappropriated profits.

The outstanding feature in trading during the period under review has been the complete reversal in conditions from a sellers' to a buyers' market, consequently competition for available business is much keener.

INCREASE OF PRODUCTIVE CAPACITY

I have previously pointed out that your directors foresaw this possibility and in my statement to stockholders at the last annual general meeting you were informed that steps were being taken to maintain and bring up to date, and, wherever necessary, to increase our productive capacity. During the year additional capital expenditure incurred amounts to £182,622 and there are still outstanding commitments, as shown in the accounts, amounting to £212,000. Partly to defray the cost of this expenditure on new plant and buildings, the capital of the company has been increased by £250,000, of which £150,000 has been issued to stockholders.

Your company and its subsidiary are well qualified to meet the severe competition which now exists in our industry and expect to maintain the present expanding production. It may interest stockholders to know that we continue to supply a high proportion of the most highly stressed parts for all makes of British jet engines.

During the period steel supplies have improved and we are now in a position to meet the requirements of our customers, but there is still a good deal to be desired from the steel manufacturers before prewar conditions of service are restored.

It is with great pleasure that I again record the wholehearted support which has been afforded the management of the parent and subsidiary company by the members of the

THE ECONOMIST, DECEMBER 5, 1953

respective staffs and employees. I also desire to express my personal appreciation for the loyal and valuable co-operation of my fellow directors in conducting the affairs of the company.

The report and accounts were adopted.

R. G. SHAW AND COMPANY, LIMITED

The twelfth annual general meeting of this company was held on November 30th, in London, Mr J. L. Milne, chairman and managing director, presiding.

The following is an extract from his statement for the year to June 30, 1953.

We experienced a drop in gross profits, cushioned by a lower current charge for income and profits taxes and the recovery of excess profits levy.

The fall in commodity prices in the countries of the East—in some cases very severe—reduced their buying power and our exports to these countries suffered accordingly; further, lower commodity prices had an adverse effect on our earnings in other directions. However, taking a broad view of our position, we felt justified in paying a dividend of 12½ per cent against 10 per cent last year, but I would not like you to assume that we look forward to any improvement in business during the current year.

Last year the tea plantation industry was in a bad way, but now conditions are much brighter, following a welcome increase in the prices realised for medium and common teas. While current prices allow most tea companies to make a reasonable profit, it will take two or three good years to enable many of them to replace funds depleted following recent losses and meagre profits.

A year ago it was not easy for Rubber Plantation companies to make ends meet at the prevailing price level. Since then their difficulties have increased as the price of the commodity has continued to fall to a greater extent than it has been possible to reduce costs. The report was adopted.

ABERFOYLE PLANTATIONS

DIVIDEND 5 PER CENT

The nineteenth annual general meeting of Aberfoyle Plantations, Limited, was held on November 26th in London, Mr P. J. Burgess (the chairman) presiding.

The following is an extract from his circulated statement:

Aberfoyle in the past year has had to contend with increasing difficulties due to a continuously dropping price for rubber, with costs still running at the inflated figures engendered by the rubber and tin booms in 1950-51. Your directors nevertheless recommend that a dividend of 5 per cent be paid and that £10,000 be transferred to general reserve, leaving £11,623 to be carried forward, as compared with £13,730 brought in from last year.

The Government of Malaya recognises the necessity of replanting, and by means of a levy of 1½d. per lb on rubber from planters who have not replanted a due proportion of their acreage, the Government is subsidising small native holders in replanting their holdings. At the same time, taxation is so severe that owners who wish to replant their estates are crippled financially. In our case we have planted sufficient acreage to obtain exemption from this levy, but we have paid in export duty and income tax £196,000 for the past two years, and have stopped further replanting for the time being.

THE ECONOMIST, DECEMBER 12, 1953

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by J. SPEDAN LEWIS

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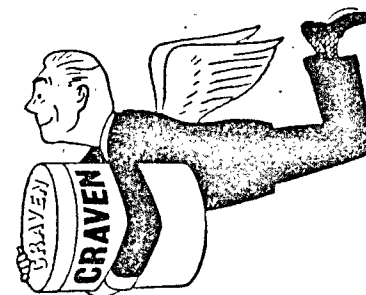
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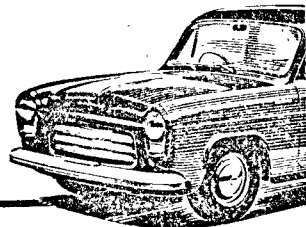
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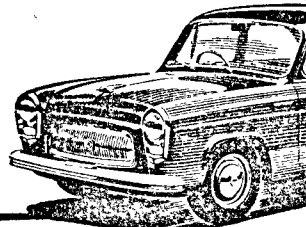
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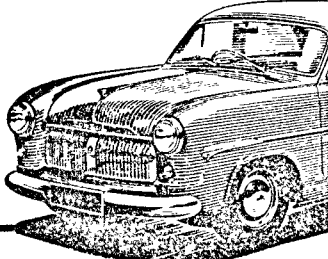
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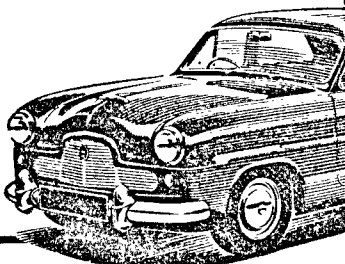
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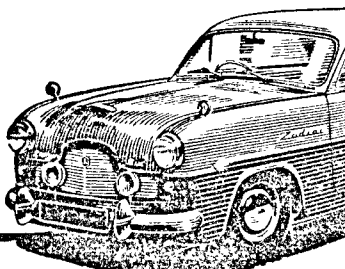
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The Choice for Europe

THE Bermuda communiqué was unexciting, and all the better for that. In a period of apparent stalemate in international affairs, political leaders must always face the temptation to indulge in diversions—to put forward propositions that catch the eye and stir fresh hopes, but ignore the real difficulties of the situation. The writers of the communiqué overcame this temptation. They confined themselves to restating the essentials of western policy, with precision on the points where agreement is complete and with some nice shades of meaninglessness where it is not. Their words by no means reflect the full content of the Bermuda talks; the cross-fertilising of minds in the Mid-Ocean Club will, if it proves successful, yield fruit in various forms and over a considerable period, and it was never to be expected that a full crop would be presented to the world in one basket. Yet a restatement of essentials was itself singularly timely, for the net result of the diplomatic exchanges of the past six months is that Western Europe is now squarely faced with a final and fatal choice.

What has happened is that Moscow has not only shaped its policy for Western Europe, but has also made it clear what that policy is. It is "Europe for the Europeans"—which means that there is no room in Europe for Americans, but does not mean that there is no room for Russians. On the contrary, the Soviet Union categorically declares itself a European power, and lest there should be any doubt about it the last Russian Note contained a reference to the Soviet Union "and the other European countries." Europe stretches from the Atlantic to the Urals, and Moscow is now warning it that its problems will never be solved until all Europeans pull together, instead of one half pulling against the other and calling "outsiders" in to help.

How, in the Russian plan, would a harmonious Europe, purged of Americans, be organised? The heart of the matter, as Molotov can see as clearly as anybody else, is Germany; the European problem is essentially the problem of Germany's frontiers and Germany's relations with its neighbours, of whom France is the most important. A new order for Europe must therefore be made to appeal to large numbers of Frenchmen and Germans. However, it must also be made as attractive as possible to the British, not only because Britain is a closely interested major power, but also because French and Western German policies are strongly affected by the attitude of London. Accordingly, the Soviet government would like to reanimate the existing Franco-Russian and Anglo-Russian treaties and to add a network of pacts linking France, Germany and the satellites. Europe would thus be re-aligned along three main strands—all leading to Moscow's clenched fist. The concept of such a re-alignment cannot be dismissed as mere fantasy; for, although to British eyes it could hardly seem anything but abhorrent, there are a number of inducements that Moscow can dangle in front of both Germans and Frenchmen. Germany, it seems, will be offered a new and better Rapallo: a Russian

treaty of friendship and economic collaboration, guarantees against attack by its neighbours, reunification, greater opportunities for trade with the east, and a national army. Moscow has already proposed the cancellation of reparations payments and postwar debts and the limitation of occupation costs until troops are withdrawn, and Herr Ulbricht has made it clear that the united German government would cancel the London debt agreement concluded last year by the Federal government and stop making restitution payments to Israel. In return for all this, Germany would have to give up the Saar to the west and accept the Oder-Neisse line to the east. Moscow has not yet said so publicly in so many words, but the obedient Herr Ulbricht told Germans a fortnight ago that a democratic and peace-loving united Germany would renounce for all time all territorial claims to west and east, north and south, and the Soviet leaders doubtless hope that there is enough sugar on the pill to make the Germans swallow these territorial disappointments.

★

There is plenty of sugar for France, too. The idea of a Franco-Russian alliance has always had French friends well beyond the Communist ranks. It represents a policy that is now more than half a century old, and when General de Gaulle went to Moscow in 1944 he was, in most Frenchmen's eyes, taking both a reasonable and a traditional step. The fear of Germany which created the original alliance is still notoriously alive; and as long as it persists France will hanker after eastern alliances. This applies to the countries formerly belonging to the Little Entente as well as to the Soviet Union. After the war Paris tried to repair the lines to Warsaw and Prague. The attempt came to nothing, but it might now be renewed with Moscow's blessing; the Warsaw press and radio are urging that Russia, Poland and Czechoslovakia are "France's natural allies." M. Daladier and the Gaullist deputies who are paying a somewhat mysterious visit to Poland may find out some more about this before their return to Paris. Nor is this all that Moscow has to offer. There is the Saar, and there is Indo-China. Russia could undoubtedly offer to use its "good offices" to put an end to the war in Indo-China and thus stop the frightful drain on French funds, manpower, armed strength, morale and prestige.

In the case of Britain, however, the Kremlin's new order starts without the advantage of the superficial attractions which it may have in French and German eyes. If the Soviet Union is part of Europe, then Britain certainly is too; but their tradition in foreign affairs will make the British particularly inclined to ask whether Moscow's "Europe for the Europeans" is not really "Europe for the Russians." It would take a great deal of sugar indeed to disguise the fact that that is just what it is; and so far Moscow has not found anything to entice the British with, apart from some vague commercial propositions and the

exceptional civilities extended by Malenkov to the new Ambassador in Moscow. But British opposition would undoubtedly stiffen opposition on the continent. A special responsibility for clear thinking therefore rests on this country.

★

In the first place it should be absolutely clear that what the Russians are proposing for Europe is not a third position between America and Russia. They are proposing a complete switch, from alliance with the United States to alliance with the Soviet Union. The North Atlantic Treaty is to be scrapped, and treaties with the Soviet Union are to be revived and multiplied to embrace the whole of Europe. Uncle Sam is to be replaced by Big Brother. Secondly, it should be absolutely clear what this association with Big Brother will mean. Herr Ulbricht has told the Germans what will happen. In his speech to the East German parliament on November 25th Herr Ulbricht assured his audience that the "forces of peace and democracy," led by the National Front (i.e., the Communists and their dupes), will prove stronger than the big businessmen and the militarists (in Communist parlance, everybody else).

To anybody conversant with modern political jargon the meaning of statements like this is plain. The Communists intend to have things their own way and have no intention whatever of allowing genuinely free elections in Germany. A united Germany in the new order will be a satellite; perhaps a satellite a little different from, say, Rumania, but this would only be a further acknowledgment that Stalin's way with satellites has failed in important respects and has had to be modified in detail. And if Germany is to become a Russian dependency, it can safely be assumed that the same fate awaits France and the rest of Western Europe, in due course and one by one.

The West can and should take Moscow at its word. The alternatives have been put before Europe; it is for Europe to choose. If Western Europe is now offered a clear choice between alliance with the United States and alliance with—leading to subjugation by—the Soviet Union, then a point has been reached at least as important as the offer of Marshall Aid six and a half years ago. Those who see how and where the choice lies must recognise that to adopt, or persist in, a wait-and-see policy is now insensate. The alternatives have only to be stated for it to become plain that the only counter to Moscow's gambit is to strengthen the Atlantic links and the Atlantic Treaty organisation. At present Nato is doing a purely military job and not much more. Yet the Atlantic partners have frequently claimed that together they constitute something more than an *ad hoc* military alliance; that they are—or can become—a community. It looks as though this claim is now to be put to a severe test, for to many people Moscow's rival claim that the real community is Europe has behind it the force of traditional sentiment and the evidence of schoolroom atlases.

Colonial Bogeyman

LAST week's debate on Buganda and this week's on Guiana have shown the Opposition at its worst. The motion of censure on the Colonial Secretary, threatened last week, has been postponed indefinitely. Ostensibly, the Labour party does not want to jeopardise negotiations between the deputation from Buganda and the Secretary of State. Privately, the Labour leaders must be aware that in both the recent debates the party has succeeded only in making a fool of itself.

This would not matter if domestic politics alone were in question. But, unfortunately, Labour's irresponsibility in colonial affairs is beginning to have a bad effect in the colonies themselves by giving the impression that there is a deep and serious cleavage of opinion on colonial policy in this country. The truth is that there is very little difference in principle between the Labour and Conservative parties. Both are pledged to foster the self-government within the Commonwealth of all the units of the dependent Empire. Both are committed to the economic development of the colonies. Nor is there any disagreement over means. No Conservative could have insisted more strongly on the need for private enterprise to supplement public development schemes than Mr Creech Jones when he was Labour's Colonial Secretary, and it was a Conservative Colonial Secretary who first hinted at development by public corporation. Labour was in power when most of the constitutional changes of recent years were initiated, but the basis had been laid for them by the Coalition Government with a Conservative at the Colonial Office, and they have been continued, with no noticeable change of pace, by the present Government.

There has, in fact, been a remarkable degree of continuity in British colonial policy for well over a decade, due partly to genuine agreement among the parties but perhaps even more to the influence and authority, based on experience and knowledge of the facts, of the Colonial Office and the Colonial Service. For most of this time comment in the House of Commons has not gone beyond the limits of vigilant criticism of details, and colonial debates for most of the Labour Party's term of office were exercises in agreement. It is true that in 1950 and 1951 there was a certain amount of anxiety manifest on the Conservative benches about the pace of constitutional change in the colonies. But there was no attack on the aims or even on the methods of colonial policy. Nor is there any likelihood that the Conservatives, if they had been in office in the immediate postwar years, would have been able to put any effective brakes on the pace of change.

Unfortunately, however, these criticisms happened to coincide with a worsening of race relations in those parts of Africa where there are white settlers, especially in Central Africa, and currency was given to the notion

that the Conservatives, when they came into office, would be considerably more responsive to the white settlers' wishes and considerably less sympathetic to the claims of the black majorities. That there was never any real justification for this belief ought to have been demonstrated by an event in the early months of Mr Lyttelton's period in office, when he confirmed, against the opposition of many of the settlers, a proposal to give the African, Indian and European communities in Tanganyika equal representation in the Legislative Council.

★

Another fact which shows how completely false is the view that there was a sharp change in policy when the Conservatives came in is the absence for nearly a year of any sharp criticism from the Labour benches of Mr Lyttelton's administration. His main preoccupation in that year was the war in Malaya, which he handled with commendable decision and promptness. In the second year, however, the atmosphere completely changed. From a somewhat grudging acquiescence in a bipartisan approach to colonial policy, Labour's attitude has changed to one of downright hostility to the Colonial Secretary. The occasion of the change was Central African federation. The scheme, it will be remembered, was of Labour parentage, and though there were changes in it before it reached the statute book, it has always been very difficult indeed to see which of them could be considered important enough to justify the reversal of Labour's attitude.

The next episode was the outbreak of Mau Mau violence in Kenya and the adoption of stern measures to restore law and order, which provided a golden opportunity for the left wingers to make trouble. From these beginnings, Labour's indictment of Mr Lyttelton has grown with each incident: disturbances in Nyasaland; the suspension of the constitution in British Guiana; the sharp language used to Mr Awolowo and his Action Group over the Lagos award; and now the deposition of the Kabaka of Buganda. It is true that British colonial policy has recently been very unfortunate. But before an indictment is based on mere misfortune, two points need to be made. The first is that Mr Lyttelton's record is not all misfortune or constitutional retreat. Malaya has already been mentioned; but it should also not be forgotten that it was he who recognised Dr Nkrumah as Prime Minister of the Gold Coast and who approved a further step towards self-government in Jamaica and Gambia, or that it was under his chairmanship that last spring's conference on West Indian federation made such progress and this summer's Nigerian conference—apparently so hopeless at the start—came so near complete success.

The second point is to inquire whether any of the misfortunes of recent months would have been avoided, or would have been differently handled, if Labour had been in office. Would a Labour Colonial Secretary, for instance, have taken less stern measures to fight the Mau Mau terrorists? Would a Labour Government, having committed itself as far as Mr Attlee's did, have withdrawn from Central African federation? Would it have risked the establishment of a Communist state in Guiana? Would it have allowed the Kabaka to defy the Governor in Uganda?

★

Labour has two answers to questions of this sort. It will admit—or at least its leaders will admit in private—that there has been no real change in the fundamentals of colonial policy since the Conservatives came in. But they strongly condemn Mr Lyttelton's personal attitude and they accuse him of acting arbitrarily and precipitately without sufficient patience or deliberation. This latter accusation can hardly survive the last two debates, in each of which Mr Lyttelton has expounded at length and most convincingly all the alternative courses that were considered in Guiana and Buganda before strong action was taken, and the reasons why they were rejected. There may be a little more substance in the first complaint, that Mr Lyttelton obviously dislikes black men, thinks their interests are second to those of the Europeans, and makes no effort to enlist their sympathy and overcome their fears. It is true that the Colonial Secretary is a large, rawboned man with a rather large and rawboned manner and with more than a touch of that appearance of superiority which so often gets upper-class Englishmen into trouble with foreigners. It is also true that Labour's Colonial Secretaries, especially Mr Griffiths, made a great point of being accessible to all, and that it paid them one or two dividends. Mr Griffiths, for example, managed to persuade hostile and fearful Nyasaland chiefs to attend the Victoria Falls conference on federation, whereas Mr Lyttelton sent them home hurt and angry after the final conference in London this year. But smiles, blandishments and handshakes, though they may ease a tricky situation, are no substitute for policy and decision. All that Mr Griffiths managed to achieve by his accessibility was time—time in which to postpone a decision that was bound to hurt someone whichever way it fell. Unless it be held that a colonial power must never annoy anybody or disappoint anybody's impatient ambitions (and though Mr Fenner Brockway might base a policy on such principles, the Labour party certainly did not do so when it was in office), then there must be occasions when decisions have to be taken and the consequences faced. Amiable hesitation may make fewer enemies at the moment than brusque decisiveness; but it can hardly be put forward as a sounder base for policy.

At the very most, then, Labour's case against Mr Lyttelton amounts to little more than a dislike for his

mannerisms. Yet on this has been based in recent months a furious campaign of denunciation and vilification—led, it is true, by the Bevanites and other left wingers, but supported rather than restrained by the leaders of the party. When it comes to open debate, there is a pathetic absence of arguments that will stand examination. Twice running, the Socialists have allowed Mr Lyttelton, admittedly no Parliamentarian, to wipe the floor with them. Why do they lay themselves open so often to such scenes of humiliation? Nor is colonial policy the only subject on which they seem to scream first and think afterwards, to commit themselves under the stress of unthinking emotion to attitudes and policies that are inconsistent with what they did in office and would be sore embarrassments to them if they got into office again. Much the same behaviour, with much the same parliamentary results, has been exhibited in foreign affairs and in domestic social policy. Are they really happy about the impression they give—that they are a totally different set of men when they have access to official counsel and knowledge from when they are left to their own devices, that they have no stock of responsibility or statesmanship save such as they can borrow from the civil servants?

★

If the colonial debates of the last two weeks have the result of starting the Labour party on a bout of self-examination, they will have done good even beyond the limits of colonial policy, where they have undoubtedly cleared the air. Nobody would suggest that the Opposition should forbear from opposing. But there is a world of difference between responsible opposition and the sort of exhibition that has recently been put on. Unquestionably, there are black spots and bright spots in the colonies, and perhaps today the black spots appear to outnumber the others. But the black spots are not of the Tories' making. It is not true that Africa was a peaceful happy continent when the responsibility for it passed out of Labour's hands. It was seething with frustration, suspicion and discontent—but that was not the Socialists' fault. Up to about twelve months ago, one would have said that the merits of the two parties in colonial matters stood about equal. To-day Labour's irresponsibility has tipped the balance in the Tories' favour. But it would swing back if the Socialists would start showing as much sense and realism in opposition as they did in office. Mr Attlee pointed the way in one of the last debates on Central African federation, when he pledged his party's support to make federation, once it was decided, a success. Could he not give a similar lead in colonial affairs generally? It is to nobody's interests save the Communists' that the great experiment of Commonwealth, to which both parties are pledged and to which they have both made contributions, should fail of success through an excess of faction at home.

Scientists and Mathematicians

THERE has for some time been a lull in the argument about the number of scientists and technologists that the nation requires to sustain and increase its economic progress. The controversy is likely to be reopened by this week's very disturbing report* from the National Advisory Council on the Training and Supply of Teachers concerning the shortage of graduate teachers of science and mathematics in schools and technical colleges in England and Wales. It is already very difficult for the schools to find enough teachers of these subjects. But nearly twice as many of them will be required in the grant-aided secondary schools between 1955 and 1960 to deal with the children of the high birth-rate years of the nineteen-forties. By the normal processes of supply and demand there is virtually no prospect of getting them. Yet if they are not found, the effect will be cumulative, for it will mean fewer students of technical subjects (or at least fewer adequately taught students) and therefore still fewer potential teachers.

The Ministry of Education can hardly escape censure for this tardy recognition of the difficulties. Figures of the secondary school population can be predicted eleven years in advance, and some of the problems were in fact discussed in the advisory council's first report published in May, 1951. Perhaps the expectation at that time of a slight industrial recession led the Ministry to believe that the demand for scientists for purposes other than teaching would slacken and relieve the shortage in the schools. In fact, industry's appetite for scientists has not receded and the universities have swallowed up an increasing share of their own graduates for teaching and research. The result has meant not only that the schools have found difficulty in filling vacancies, but that the standard of applicants, measured by the degrees they hold, has fallen conspicuously. This is particularly true of the boys' schools, where only 39 per cent of the new trained teachers have

second-class degrees or better, compared with 60 per cent before the war (see Table I). In the girls' schools the standard has not fallen so much, but there is an absolute shortage: inquiries instigated by the women teachers' organisations reveal many unfilled vacancies in girls' schools.

These are the current difficulties, but they are nothing to those that are in prospect. The facts, which have now been fully ascertained for the first time, leave no doubt of the gravity of the situation. Between 1951 and 1953 some 690 graduate teachers with scientific or mathematical degrees left the training colleges each year, of whom about 120 went to independent schools, leaving 570 a year for the grant-aided schools and technical colleges. Between 1955 and 1960 the intake into the independent schools is not likely to increase sharply, as it seems improbable that their resources will permit them to take a large number of extra pupils. On the other hand, the grant-aided schools and establishments will need an annual intake of 1,020 science and mathematics teachers if the standards of teaching in these subjects are not to fall still further. This is a formidable increase.

This basic difficulty of the schools is the competition for scientists and mathematicians from the universities and from industry. This is very much higher than before the war. For every 100 men who graduate with honours in these subjects, 45 now go into university teaching and research, 30 into industry and only 15 into schools. The girls' schools are rather more favourably placed, since women scientists are less in demand elsewhere, and 50 per cent of the students go into teaching. The shortage of scientists persists in spite of the fact that the number of pure science students at universities in England and Wales has risen from about 7,500 before the war to nearly 15,000 in 1951-52.

The only ways in which the schools' difficulties could be met would be either by making teaching relatively more attractive, so that, say, 500 more graduates each year chose posts in the schools rather than in the universities or in industry, or else by such an increase in the total number of science and mathematics students in the universities that all the demands for them could be satisfied. The latter course would be the more constructive. But even if the students could be found—and where are they to come from unless there are more science teachers in the schools to bring them up to the university level?—very little relief could be expected until nearly the end of the peak period. This is no reason for not doing at once what can be done further to expand the science faculties. If the schools' demands cannot be met in the early peak years, they will be carried forward, and an over-production of science teachers is hardly conceivable so long as there is so much scope for improving the staffing ratios in the schools and for raising the standard of qualification.

TABLE I—GRADUATE TEACHERS LEAVING PROFESSIONAL TRAINING QUALITY OF DEGREE IN MATHEMATICS AND SCIENCE

	1938		1953	
	Men	Women	Men	Women
1st honours.....	48	14	18	10
2nd ".....	148	87	161	92
Other honours.....	37	32	52	24
Pass and other.....	93	63	224	90
Total.....	326	196	455	216
1st and 2nd class honours as percentage of total.....	60.1	51.5	39.3	47.2
Equivalent percentage for graduates holding degrees other than maths and science.....	74.1	69.0	62.1	63.1

* Graduate Teachers of Mathematics and Science. HMSO. 6d.

But in the immediate future, the only hope is in palliatives of one kind and another. Older teachers can perhaps be encouraged, or induced, to postpone their retirement. More married women can be coaxed back to teaching. Economies in teaching time can be secured by appointing laboratory assistants. Much more effective than any of these, if it could be conceded, would be the exemption of intending science teachers from military service. This, of course, raises a very wide question, and it no doubt stands little chance of acceptance. But it would certainly be effective. Not only would there be an immediate benefit from those who have deferred their national service until the end of their university course, but there would be a powerful continuing incentive. If there are to be any exemptions at all from national service, it can be urged that there are very few other cases where so much long-term benefit would accrue to the national interest for so few individuals exempted.

Over the longer period, the Ministry will have to rely on more lasting remedies. There are three main possibilities: higher pay for science teachers; a higher share for the schools in the scientific manpower available;

TABLE II
(Percentages)

Occupation entered	Honours Graduates		Pass Graduates	
	Men	Women	Men	Women
Teaching.....	15	45	35	60
University teaching, research, etc.....	45	30	10	15
Government service, etc....	10	5	15	10
Industry and commerce....	30	20	40	15
TOTAL.....	100	100	100	100

a larger total number of graduates from which teaching can meet its own demands. The National Advisory Council was precluded by its terms of reference from considering pay, which is the function of the Burnham Committee, but it recognised that financial prospects were a vital factor in the situation. This is a highly controversial topic. To raise the salaries of graduate science teachers in isolation would be bitterly opposed by the rest of the teaching profession, and more particularly because the demand will slacken off after 1960. Under the proposed new Burnham scales the salary of trained men graduate teachers will be £510-£805 a year plus £30 for a first-class and in some cases a good second-class degree, and arrangements already exist whereby special allowances of anything up to, say, £300 a year can be paid for special responsibilities. But it would be a distortion of the whole purpose of these allowances to hold them out as a starting inducement—yet it is at the point of recruitment that the inducement needs to be done.

A larger share for the schools in the current output of the universities would mean a smaller share for the

universities themselves and for industry. There are, no doubt, many individual instances in which a scientist or mathematician would be more usefully employed in teaching than as a superior lab-boy in a university or industrial laboratory. But it could hardly be seriously argued that too many graduates are employed in research or industrial development. The contrary is almost certainly true. The Department for Scientific and Industrial Research has just announced plans for a large increase in its recruitment of scientists. In its most recent report the Advisory Council on Scientific Policy recommended that the number of trained scientists and technologists employed in industry should be greatly increased.

★

A parallel may be drawn from a recent report* published in America by the National Manpower Council of the United States. The general problems of industrial and scientific development and the manpower requirements in the two countries, when differences in population are allowed for, have many similarities. The major difference is that the Americans have greatly expanded, and are still expanding, their educational facilities on the level just below the highest—in what may without disrespect be called the second-class universities. There are, in America, relatively no more scientists of the very highest rank than in this country—possibly fewer. What there are—and it is an enormous strength to the American economy—are large numbers of men and women trained up to a level, lower indeed than is needed for the most difficult pure research, but fully adequate for most of the jobs that scientists are called upon to fill. The British insistence that it is better not to expand higher education at all unless it be of the very highest standard is proving to be a damaging bottleneck. The only way to break it is to press on with plans to increase the number of men and women studying science, if not at universities then at other institutions that will equip them to take their place in industry and in the schools. These two or three thousand more students a year are the ha'porth of tar for lack of which the whole ship of British technological progress is endangered.

The pessimists will certainly object that the neces-

* "A Policy for Scientific and Professional Manpower." Columbia University Press. \$4.50.

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sary talent is not available. This is almost certainly not so. While few sixth-form pupils worthy of a university education fail to find a place, the wastage in the grammar schools at 16 is very high, and according to the teachers themselves includes a large number of boys and girls who could make proper use of a course of higher education. The revolution in secondary education is so new that the grammar schools are filled with children whose traditions, ambitions and family attitudes are still unfamiliar with the idea of a sustained academic course leading to the professions and the universities.

Communists and Consumers

THE process of bringing satellite policy in eastern Europe into line with Malenkov's new course inside Soviet Russia, which was begun in Budapest last July, was completed in Warsaw early last month. Broadly speaking, the main objects of the planners throughout the Soviet sphere are now in agriculture to increase production by greater investment and greater incentives for the peasants, and in industry to correct the disproportionate development of heavy industry in order to step up the output of consumer goods and the construction of houses and other amenities. In other words, according to Rakosi, Bierut and the rest, the consumer, whether he works on the land or in a factory, is to get something of a new deal.

In the West there is a good deal of doubt and controversy about the practical outcome of the brave speeches and pledges of the Communist leaders. It is probable that on the other side of the iron curtain the doubt and the controversy are scarcely less keen. Sometimes the new measures have been described primarily as a determined effort to correct serious errors in the original plans. On other occasions they have been presented more as a new step on the road to socialism, made possible by the economic progress so far achieved. In Rumania and Bulgaria, the first explanation was emphasised, in Czechoslovakia and Poland the second; while in Hungary the apologists have tended to shift from the first to the second.

To some extent these differences reflect each country's varying achievements. They also, however, reflect the uncertainty and hesitations of those who must interpret the wishes transmitted from Moscow without, on the one hand, disappointing too gravely the hopes of better days that they have aroused, or, on the other, seriously outraging those doctrinaire Communists who regard any slowing-down of industrialisation as a shockingly retrograde step. But whatever the differences in interpretation and application throughout the bloc, the common origin of the new measures is reasonably clear. They spring not so much

from a fear of imminent economic collapse—grave though the dislocations caused by over-hasty industrialisation is—as from a fear that the people are reaching the end of their tether. They are the result more of a political decision than of economic failure.

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It is in the countryside that the Communist planners have met with the greatest setbacks, and it is there that they are now making the greatest efforts to remedy their mistakes. Investment in agriculture, which in the past has been gravely neglected, is to be increased. At the same time the peasants are to be persuaded to greater efforts by better prices, smaller compulsory delivery quotas and a larger and better supply of consumer goods on which to spend the money earned by increased sales on the free market. There is no reason in theory why such measures should not in time show good results. But in their dealings with the peasants the Communists are particularly hampered by their convictions. They have, it is true, relaxed their efforts to force the private farmer into the collective by making life outside completely intolerable for him. They propose also to make positive efforts to help him by seeing that he can get a fairer share of whatever fertilisers, seeds and machinery are going. Yet it is perfectly clear that the Communists have no intention of abandoning collectivisation. Mr Nagy who was the only one of the Communist leaders to promise the peasants that they could actually walk out of the collectives, was evidently exceeding his brief, since the Hungarian regime has done its best to wriggle out of the pledge. The Communists may for the time being—although this is not certain—be content merely to consolidate and strengthen existing collectives; yet so long as the goal of further collectivisation remains, so long will there remain the feeling of insecurity of tenure that has done so much to destroy morale in the countryside.

Moreover, for Communist planners who are still

determined eventually to "socialise" agriculture, the policy of helping the private farmer has definite limitations and drawbacks. In the first place they still want to make life outside the collectives less easy and attractive than life inside; it is therefore likely—and this is borne out by developments in Hungary and elsewhere—that whatever concessions and incentives are given to the private farmer, they will be less attractive than those given to the collective farmer. In the second place the type of private farmer most likely to benefit from a liberal policy is the kulak, the chief surplus producer, the minor capitalist of the countryside whom all good Communists are taught to regard as their arch-enemy. The regimes try to evade this difficulty by "backing the medium peasant." But a medium peasant who has been given a boost soon turns into a kulak. And if the planners, by taxation and other means, try to regulate nicely the amount of prosperity among the private peasants that will give increased yields without undesirable ideological consequences, they might easily defeat their own ends; for the peasants could well turn sour, cut their output and as so often before, resort to quiet passive resistance. The concessions already granted do not seem so far to have had a particularly beneficial effect.

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Whether the Communists can successfully tackle their agricultural problems within the limitations set by their own dogma remains to be seen. What is certain is that they must pour both consumer goods and agricultural implements and supplies into the villages if they are to get increased yields. Conversely, they will not get larger supplies of consumer goods (nor of coal, steel and other vital raw materials) if they do not, among other things, improve supplies of food as well as of durable consumer goods for the industrial workers. There is, in fact, a close and vital link between economic policy in the towns and in the countryside; similarly a threat to political stability in the one involves an equal threat in the other. Throughout the Soviet bloc a series of price reductions, whose exact significance is hard to estimate, has been the first step towards improving the standard of living in the towns and providing greater material incentives for the peasants. A second step is the promise to cut the rate of capital investment for the benefit of consumption, and to devote a larger share of what remains to light industries and to agriculture.

It will take time for this change of policy to show results, even supposing that the planners have made up their minds exactly how to carry it through; and the hard evidence so far available is so meagre that it is hard to estimate its significance. It was stated in September, for instance, that investment in Czechoslovakia in the current year will be cut by 16 per cent and that next year it will remain at this revised 1953 level; but if, as is more than probable, the 16 per cent cut this year merely represents the estimated non-fulfilment of the target, then in absolute terms the amount of investment may be as high, if not higher, than in the preced-

ing years. As far as one can tell, it seems probable that the idea is to keep the level of total investments roughly constant; on the assumption that national income is rising all the time, this will give consumption an increasingly large slice of the national cake.

What exactly the shift from heavy to light industry will involve is also hard to say. It is clear from the way the Communist leaders talk that they would really like to increase the production of consumer goods without cutting down production anywhere else. Since this is impossible, they will probably try to limit the cuts in the output of heavy industry, especially in Poland and Czechoslovakia, where it is of vital importance to the whole Soviet bloc, to as little as conditions in the countryside and among urban consumers allow. They will do what they can by abandoning marginal projects, eliminating waste and increasing productivity. They will not in general cut down the production of basic raw materials, coal, steel and electric power; on the contrary, in these sectors, where production has been most seriously lagging, a determined effort is being made to reach the targets and a still greater effort will in most cases be demanded next year. Heavy industrial enterprises everywhere will be urged to turn over to the production of consumer goods and agricultural machinery. To some extent heavy industries have always manufactured some consumer goods as a sideline; but it is costly to do so on a large scale. The leaders of Hungary's heavy industry, who, to the indignation of the Communist press, complain: "Are we to produce meat mincers together with means of production?", have a good deal of sense on their side. That the Communists are insisting on this method of increasing supplies of consumer goods illustrates the reluctance and hesitation with which they are shifting from their old course.

It is obvious, however, that if the Communist planners are not to fall down completely on their promises—and it is reasonable to suppose that they will try to avoid this—they must in each country carry out some redistribution of the national resources (especially as a good proportion of satellite consumer goods must presumably be exported to the Soviet Union). But this does not necessarily mean that the Communists have abandoned their long-term plans to build up within their bloc an overwhelmingly powerful economic potential. It is much more likely that they have merely made up their minds to take longer over it, that they are determined to reach the original goal eventually, but by a longer and—as they hope—less thorny route.

From the West's point of view, the lesson to be drawn is clear: it is that the Communist bloc does not expect and is not preparing for a major war in the near future. If it had such fears, considerations of political expediency would everywhere give way to the necessity of increasing war potential. As things are, it looks as if the need to remove some of the causes of popular discontent will rank for Communist leaders as the most important task over the next few years.

Notes of the Week

Atomic Address

PRESIDENT EISENHOWER'S test explosion on the United Nations proving ground appears, from first reports, to have been fully successful. Even commentators who were a long distance from ground zero showed an immediate and outwardly favourable reaction; but there are still many questions to be answered. It will not be easy to find for the proposed "international bank" of fissionable materials a location that is acceptable to all parties. The financing of any such scheme is bound to be the subject of hot debate; and even more so the question of its ultimate control.

To ask these questions is not necessarily to dub the plan impracticable, or to criticise Mr Eisenhower. Most great international projects must be sketched with broad strokes of the brush before their details can be filled in; and the President was careful to point to the private talks between the governments "principally involved" that had already been suggested by the Assembly as the right means of discussing these details. He was scrupulous in mentioning the realities with which his project would have to contend: his need to submit it to Congress, the probability that first contributions to the "bank" would only be small, and the necessity of guarding the "bank" against surprise seizure. Moreover, in the full context of his speech it was clear that he recognised that the creation of an atomic pool for peaceful purposes would provide no final solution to the much vaster problem of preventing war.

Unfortunately, Mr Eisenhower's own modesty has not been emulated by all his commentators. Some of them have seized upon passages from his address with the same apocalyptic fervour that followed Sir Winston Churchill's speech of May 11th. Attention needs to be directed to the solid value of the President's plan itself, and particularly to the fact that once again the Soviet government is given an opportunity to respond with "deeds, not words" to an offer of peculiar interest to the peoples of the "underdeveloped" world.

Under France's Skin

SMALL incidents and alleged breaches of diplomatic protocol at the Bermuda conference have been magnified by the French press into wanton attacks on their national prestige. Many Frenchmen already resented the fact that the conference had been called at such an inopportune moment, just before their presidential election. This alone, however, does not account for the disproportion between the pretexts and such outbursts of hurt pride as led one

leader writer to exclaim: "Have our representatives lost their concern for national dignity to the extent of passively accepting such insolent behaviour?"

The deeper cause of French resentment and uneasiness is revealed in a preceding sentence in which the same writer ponders whether Chancellor Adenauer, if invited, would have been treated in the same fashion. For some people, even M. Laniel's illness has acquired a symbolic significance. France may be likened to a veteran player, not in peak physical condition, suspiciously eyeing the German newcomer arriving at the team headquarters under the benevolent eyes of the selection committee. The veteran requires particularly careful handling, and guarantees that his position in the team will not be endangered; and some local experts, non-Communists at that, advise him that by merely threatening to ask for a transfer, or by brandishing some previous contracts, he may obtain these better terms.

The official Bermuda communiqué did little either to strengthen or to dispel French suspicions. On the two vital issues of the European army and Indo-China it was too vague to provoke reactions either way. France's qualms about EDC were acknowledged and its effort in Indo-China praised. Yet nothing specific was indicated about the link between EDC and Anglo-American troops, nor about the way in which a solution will be sought for Indo-China. Indeed, the only immediately tangible result of the conference—the Note to the Soviet Union—will provide another test for French susceptibility. It proposes that the Berlin conference be held early in January, before the new French president and cabinet have taken office, so that once again France will be represented by a caretaker. Should it be disclosed, however, that MM. Laniel and Bidault had brought back important assurances and pledges in their Bermuda bags, the slights to French prestige, whether real or imaginary, would soon be reduced to their proper perspective.

Labour and the By-Elections

THE recent crop of by-elections has not shown any real break in the party deadlock that has now persisted for nearly four years. Since Parliament reassembled after the summer recess there have been four by-elections and (if splinter candidates are ignored and the votes given to the Independent Conservative at Crosby are allocated to the official candidate) two have given Labour a slightly higher proportion of the poll and two have produced some slight Conservative improvement. Only from the latest Gallup Poll does it emerge that the Conservatives' standing is now slightly lower than at the general election—though not low enough to cause the party any concern. It is, after all, usual for governments to lose ground considerably between

general elections, but the present one can boast of the feat of actually capturing a seat from the Opposition in the summer.

Nor should Ministers find much to worry them in the issues raised during the recent campaigns. Labour fought them principally on rents and food prices. The two London divisions of Holborn & St. Pancras South and North Paddington are by no means typical, but they would certainly have mirrored any decisive swing against the Government on these issues. Instead Holborn's improved Labour vote was offset by an increase in the Conservative proportion of the poll at Paddington, and in fact both movements can be largely attributed to special circumstances connected with the previous Labour members.

The autumn by-elections may indeed prove to have rather more significance for the Opposition than for the Government. Of the two successful Labour candidates, Mr Parkin is regarded by the Bevanites as one of their own and they have hopes of Mrs Jeger. In addition, Mr Warbey,

RECENT BY-ELECTIONS

	Percentage of Poll			Total Poll as per cent of Electorate
	Conservatives	Labour	Liberals and others	
Crosby				
By-election.....	68.1	27.6	4.3*	62
General election...	71.0	29.0	...	80
Ormskirk				
By-election.....	65.4	34.6	...	54
General election...	67.4	32.6	...	79
Holborn & St. Pancras				
By-election.....	45.6	52.1	2.3	56
General election...	45.8	50.2	4.0	74
Paddington, North				
By-election.....	45.3	53.8	0.9†	58
General election...	44.3	55.7	...	81

* Independent Conservative. † Socialist party of Great Britain

elected for Broxtowe in September, showed pronounced left-wing tendencies during his previous sojourn at Westminster, while the unsuccessful Labour candidate in the famous Abingdon by-election in the summer was the husband of Mrs Castle, a leading Bevanite. Recently Mr J. P. W. Mallalieu incurred the anger of some of his fellow Labour members by drawing attention to the disparity between Mr Bevan's vote in the elections to the national executive and his vote in the Parliamentary Committee poll. Labour may well be seeing the beginning of a move by the constituency parties to ensure that their views, as expressed through the annual party conference, are more accurately reflected on the Labour benches in the House of Commons.

Militant Unions

THE General Secretary of the Amalgamated Engineering Union, Mr Benjamin Gardner, expressed the view on Wednesday that "unsolved wage problems" were "more ominous of coming trouble than the trade prospects

of the new year." He may well be right. The engineers and railwaymen are angry at the rejection of the claim both have made for an increase of 15 per cent; and both threaten to inflict serious damage on the economy. The railwaymen complain that the increase of 4s. a week offered them by the Railway Staff National Tribunal is niggardly, insulting and bitterly disappointing. The award, which would cost the railways some £14½ million, is designed to cover the rise in the cost of living to lower paid workers. The skilled railway workers, however, believe that this principle has been carried far enough, and want to avoid a further narrowing of the differentials between the wages of skilled and unskilled men. A decision on working to rule had not been reached at the time of going to press.

The engineers and shipbuilders, who have been offered nothing, have yet to decide what action to take. As none is now practicable before Christmas, their leaders have put off until December 23rd their decision on the four possible courses that have been proposed. The Amalgamated Engineering Union has suggested a ban on overtime and piecework; the Patternmakers' Association has proposed a ban on overtime, but none on piecework; the Transport and General Workers' Union has suggested a ballot to decide between arbitration and the ban on overtime and piecework; the Municipal and General Workers' Union wants a ballot to decide between arbitration and a strike. But on one thing all are agreed—that the men shall have a rise. Mr Arthur Deakin, the general secretary of the Transport and General Workers' Union, and Mr Tom Williamson, the Municipal Workers' general secretary, have both said so very firmly; and though they may not agree with the tactics urged by the Communists on the AEU's National Committee, they will probably support the majority's verdict if it comes to a strike.

Meanwhile the Ford Company's wage offer has confirmed the unions in their view that engineering employers, even today, can afford to grant wage increases; and the railway tribunal's award—in an industry less prosperous than engineering, if more sensitive to an increase in costs—suggests that arbitration would bring them something.

Back to Persia

THE resumption of diplomatic relations with Persia was a simple matter for Britain, where everyone thinks that contact is better than no contact, and so welcomes the step. For General Zahedi, by contrast, it represented a courageous act, for it immediately throws into vocal opposition all the fanatics—Mullah Kashani, Mr Makki, leader of the National Front, and Dr Baghai, leader of the Workers' Party—who foresee that their own importance will decline if the General's move is later crowned with some success. Mr D. A. H. Wright, at present head of the Economic Relations department at the Foreign Office, is to go to Teheran as chargé d'affaires. The reciprocal appointment of ambassadors agreeable to both capitals will no doubt follow in due course.

How soon the arrival of a diplomat experienced in economic matters will lead to a renewal of Persian earnings from oil is a matter of concern chiefly to the Persians. They

need the money badly, and no one else is desperate for the oil. This is a fact that it took them some time to realise, but which they now know thanks to painstaking explanations by the State Department's oil consultant, Mr Herbert Hoover, junior. It follows that they cannot afford to postpone action by the techniques of awaiting overtures, and devising petty exactions, which have served them well for decades, whereas the western envoys concerned can afford to bide their time and await developments. Persians are great at criticising the proposals of other people; do they really see themselves eternally playing this passive role? It remains to be seen whether there survives in them any spark of the spirit of ancestors who had it in them to act constructively.

One comment much heard in private in Teheran this week was that the return of the British had the great advantage of saving Persia from an American hegemony. The remark merits attention in the west, for it flashes a warning against the divided counsels that have so often given Persians scope for their talent at playing off one foreigner against another. The ideal solution of the oil question would be one in which the British and Americans, and if possible also the French, were to act in concert.

Another Truce Without Peace?

THERE has lately been considerable confusion over the possibility of negotiations leading to an armistice in Indo-China. But, as Mr Van Tam, the prime minister of Vietnam, now points out, the fact that Ho Chi-minh, the Communist leader, has announced his readiness to negotiate cannot be ignored. This announcement, first made in reply to questions submitted by a Swedish newspaper, has since been repeated on the rebel Vietnam radio, and it has received favourable public comment in Moscow. As a result, opinion in France, already largely in favour of negotiations if there were any possibility of being met part way by the other side, is becoming increasingly united in the view that a serious attempt to stop the war could and should now be made.

Ho Chi-minh's latest observations have removed one prime obstacle to negotiations but, for the moment at least, they have also raised a fresh one. Contrary to all previous declarations of Vietminh policy, there is no longer any stated insistence that the withdrawal of the French expeditionary force is an essential preliminary to a cessation of the fighting; as was shown by the recent parliamentary debate in Paris, the physical impossibility of the French fighting their way out without very heavy losses has lately been one of the main factors keeping them going. Now, the difficulty is on the other foot. Ho Chi-minh has cleverly made a bid to talk only with the French, thus ignoring the governments of the three Associated States, and causing great concern among many leaders in Vietnam lest they should be left in the lurch by their French allies.

The British and American view, as expressed to M. Laniel and M. Bidault at Bermuda, is reported to be that the French should not allow themselves to be drawn into negotiations without taking very careful account of the present favourable trend of the actual fighting. Under the Navarre Plan, it has been hoped to improve considerably the French

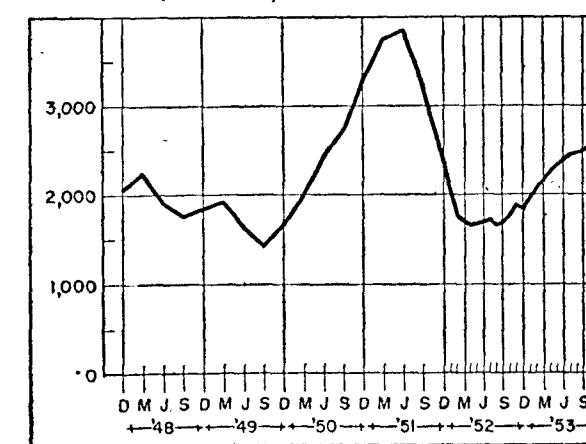
and Vietnamese military position with a possible view to negotiations later on. And, while it remains true that a purely military victory is inconceivable, a good start has now been made in the present campaigning season; it would therefore be folly to throw away its effects too soon. Ho Chi-minh, like the Chinese in Korea, might well be temporarily suited by a cease-fire, provided it came soon. But in Indo-China, just as in Korea, while it would be an enormous gain to stop the actual fighting, there is still a long way to go before there is any prospect of negotiating an acceptable, let alone a satisfactory, political peace.

Hush over North Africa

A BARE three months ago, French Morocco underwent a dramatic change of Sultan and was a major topic of world news. Since then, a virtual curtain of silence has descended on Moroccan affairs. Such items as percolate through it are disquieting to anyone interested in the future of the white settler in Africa.

The ex-Sultan was dismissed as the result of an unholy alliance between rural, tribal Morocco, and certain French administrators whose patience had run out as the result of the Sultan's steady refusal to co-operate along any lines that would afford French residents a say in the management of the territory. He was not an immense loss to the world's panel of hereditary rulers; he had, over the last few years, let down friends as well as adversaries by his unpredictable bestowals and withdrawals of support. But he stood—in the eyes of the young Arab townsmen whom the French as well as the Independence movement are educating in ever-increasing numbers—for a Morocco that would retain a personality of its own and an oriental pattern of statehood.

His successor is a little-known greybeard who has made no demur about signing decrees that promote the running of Morocco by mixed committees of "co-citizens," French and Jewish as well as Moslem. Some changes are therefore afoot, but the price paid for them is high. It is that of martial law applied with an iron hand. Any group caught

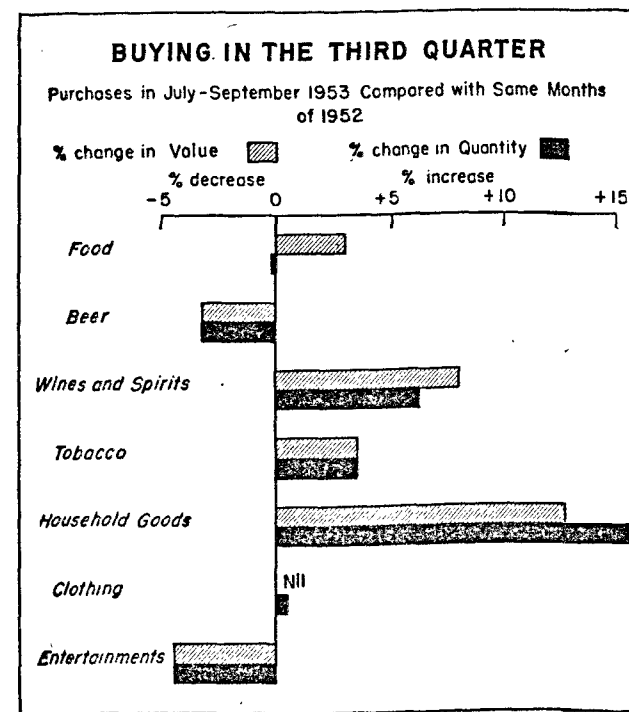
GOLD AND DOLLAR RESERVES
US DOLLARS [MILLION]

in confabulation courts arrest, and a chat with a foreigner is out of the question. Each day brings fresh news not only of attacks by Moslem on Frenchman and Moslem on Moslem, but of sinister "disappearances" of known nationalists. *Le Monde* this week inquires whether these last are plain arrests, or include nervy French reprisals such as took place earlier in the year in Tunisia, or are vanishing acts by people who think themselves in danger. Most thinking people in Paris are embarrassed when they have to retail such matters; relations between Moroccan Frenchman and Moroccan Arab are obviously far less free and easy than they used to be, and bode no good for the future of co-citizenship.

Silence prevails about Tunisia also, but the cause here is wholly different. The territory is so thankful to see the back of its late Resident General, M. de Hautecloque, that his successor, M. Voizard, is enjoying the advantages of a honeymoon. This will end if he proves unable to make any move towards meeting Tunisian claims for more self-government. It is his misfortune that the imminence of the Presidential election makes it unlikely that he will get instructions quickly. May the present quiet last until he does so; for if no compromise is possible in easy-going Tunisia, what hope is there in far more rugged Morocco?

More Smoking

THE contention behind wage claims that dearer food has brought real hardship to many people is hard to square with the latest figures of consumption. In the third quarter of this year, an extra £26 million was spent on food compared with the same months of last year and this practically compensated for the rise in prices. When revalued at 1948 prices, the figures show that the quantity of food bought was only slightly less than last year. But



even more striking is the fact that expenditure on tobacco, both in money and real terms, reached a new peak. As much as £221 million went on smoking in these months—£20 million more than the total spent on rent and rates. And while a little less beer was drunk than in the same months of 1952, the money saved there went on more spirits and wines.

Among other forms of spending for which details are available, household goods (which include wireless and television sets) continued to attract buyers and purchases were as heavy as they were before the "buyers' strike" of 1950-52. Slightly less was spent on entertainments, doubtless because of the spread of television, but the inroads of television into theatre-going and cinema-going are still slight. In the light of these statistics malnutrition certainly becomes a myth.

Truth Dawns in Ebbw Vale

TAKE the country as a whole, we are not very far away from the amount of total accommodation which the nation requires. . . . Sanitary inspectors in instance after instance have made house-to-house surveys, and in the middle-sized towns they have found hundreds of houses occupied by one person apiece. The nation is in grave danger, unless it is careful, of being stupidly extravagant. If . . . voluntary transfers were brought about, a good deal of additional new building would not be required at all."

The speaker, curiously enough, is Mr Aneurin Bevan. What is more, he gives a pretty strong hint of what he would do about it. He wants to "apply boldly the policy of allowing local authorities to take over the houses." He makes it clear, however, that he is "not suggesting for a moment that anybody, the nation or local authority, should have the power of compulsory transfer, for that would be quite unendurable. People are entitled to stay in their own homes for as long as they like." How then would the transfer of houses to the local authorities help to bring about a voluntary redistribution? The only possible answer is that local authorities, unlike private landlords, can fix their rents at whatever they see fit. Mr Bevan did not say in so many words that he wanted the houses to go to the local authorities so that there could be a sharp all-round rise in rents (with no nonsense about spending the increase on repairs). But that is the only way in which his remarks can be made to hang together; and he went out of his way to mention that the average proportion of rents to incomes among manual workers in this country has fallen from 11.3 per cent before the war to 7.4 per cent this year.

It looks, therefore, as if Mr Bevan must be welcomed as a convert to the price system, and there will certainly be more rejoicing in Heaven than over Mr Macmillan's very half-hearted obeisance to the same principle. It is true that Mr Bevan believes in the price system only when applied by local authorities. But every grain of wheat has its husk, and the municipalisation of houses is so obviously unpopular as a political cry that the winnowing should not be difficult. The important thing is that the truth is at last beginning to dawn. If rents were allowed to rise until they formed no higher a proportion of incomes than they did fifteen years ago, the only remaining housing

problems would be how to clear the slums and how to fill all the empty houses. Then the nation's resources could be devoted to the really necessary and remunerative forms of capital investment. The Sage of Ebbw Vale may yet be canonised with Adam Smith.

Turnips and Carrots for Repair

MR BEVAN has described the Housing Repairs and Rents Bill as a "mouldy old turnip" for landlords. From the point of view of the local authorities, it was described this week, at a conference of the Association of Municipal Corporations, as "a meagre and maggoty carrot." The local authorities have two objections to the grants which the Bill offers them for the temporary repair and maintenance of slum property. These grants assume a 50-50 split between taxes and rates, whereas previous housing legislation has put the major burden on the national Exchequer on a 2 to 1 or 3 to 1 basis. In the second place, it is claimed that the grants are adequate only for the most stopgap type of repairs. If other cities are to emulate Birmingham and renovate some slums to last fifteen or more years, the cost will probably be about £200 a house, most of which will have to be met from local resources.

Mr Macmillan's reply was that the Government does not wish to encourage the extravagant reconditioning of unfit houses or to blur the idea that they must be demolished as soon as possible. This is an adequate answer only to those local authorities (certainly in a majority) who can in fact clear their slums quickly. Birmingham's slum renovations have not been "extravagant," but have been dictated by the necessity of making conditions tolerable for people who must go on living in these houses for a long period. No city could or should take a lesser view of its duties as a landlord. Other cities do not possess the powers or the resources which have facilitated redevelopment schemes in Birmingham, and legislation is needed to give them similar opportunities.

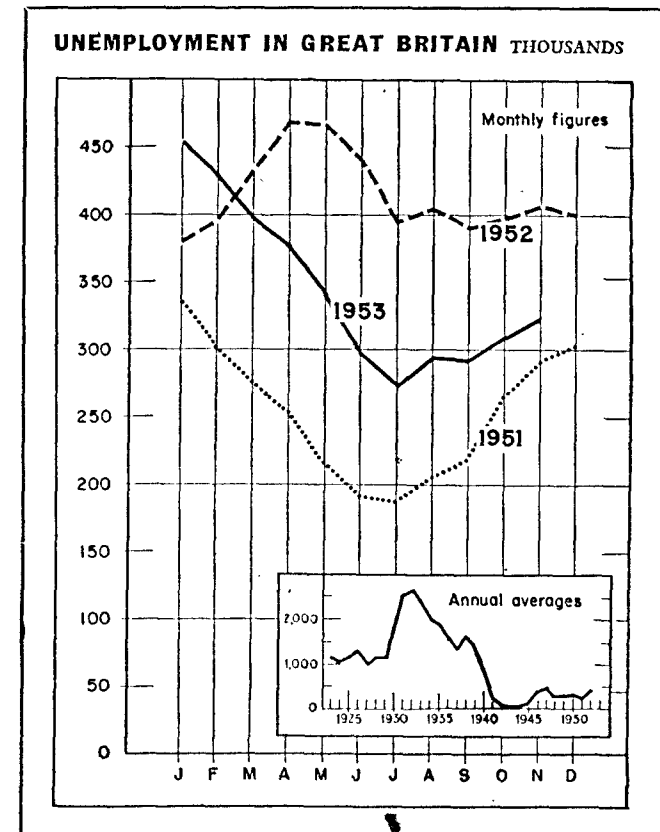
The Government certainly is not bound by precedent to give local authorities a grant of more than 50 per cent; but if, as it states, the improvement of the slums has become "a national duty," and if results are to be obtained by persuasion and not coercion, then a higher level of grant is probably necessary. Local authorities may find themselves under strong political pressure either to demolish their slum properties at once or to repair them adequately. This, no doubt, is all to the good; but it is a prospect from which many authorities will recoil unless they have stronger inducements and clearer leadership.

German Refugees Settle Down

SINCE the new government was formed in Bonn, moves have been made to strengthen German claims to revision of the Oder-Neisse frontier. This is perhaps due to the fact that there are no less than 27 refugees among the Christian-Democrat members of the *Bundestag*, and the

"BHE," the party devoted solely to refugee interests, is a new and unruly addition to Dr Adenauer's cabinet. In recent weeks some disquieting remarks have been made by refugee leaders. Herr Oberlaender, a more nationalist Minister of Refugee Affairs than his forerunner, has made the impossible proposal that the Munich agreement might form the basis of a settlement with Czechoslovakia when the Germans return to the Sudetenland. And a few days ago, the same Minister told the world that to regain "the German East" is a "German and European task." At the same time, the organisation of Silesians in the Federal Republic has demanded that the Eastern territories should be represented in the Upper House.

The refugees' political leaders are constantly at work to keep the revisionist spirit alive. To encourage the settlement of the expelled Germans without maintaining their interest in a return to their old homes would be, it is said, "a betrayal of human rights." Herr Oberlaender has declared that the refugees must be given better conditions because "the German East" will only be resettled if their economic and social position is maintained in the meantime. It is true that those unfortunate unemployables among the refugees who have lived for years in penury will eventually lose their strength and willpower and become uninterested in moving back to hard conditions in their old homes. And it has also been shown by experience that those refugees, forming the great majority, who have found a fair living in the West are settling down well. This is borne out by some very remarkable results that have appeared in a recent public opinion survey among refugees. In answer to the question whether Pomerania, Silesia and East Prussia should be regained by every means, even war, 77 per cent answered "not by war," 12 per cent said "by war if necessary" and the rest did not reply.



Only 66 per cent of the refugees questioned thought that the lost lands would return to Germany, and 11 per cent believed them to be gone for ever. The most encouraging result for the future was that little more than half of those who expected the territories to come back to Germany would certainly return themselves, if the provinces were "free again tomorrow." Exactly 20 per cent would definitely prefer to stay where they are, and 17 per cent would perhaps return. The older generation, now gradually thinning, would be more ready to go back than the young people. These answers are a tribute to the extraordinary extent to which the refugees have been absorbed in Western Germany.

Allies and the China Trade

IN reply to Senator McCarthy's latest anti-British tirades, Mr Nutting has flatly denied in the House of Commons that any strategic materials have been supplied to China with the knowledge or approval of the British Government during the period in question. It is obvious that, if Britain had in fact violated the United Nations embargo on the export of war supplies to China or North Korea, the American government would have been the first to protest, as would have been its right. It has not done so; and on the other hand it has shown a sympathetic understanding of the peculiar problem of Hongkong, which lives on trade with, and food from, mainland China, and which would be liable to complete ruin under conditions of blockade. It is the fact that Hongkong has continued to trade with China, although only in non-strategic goods, that provides the appearances so easily worked up into demagogic accusations by Mr McCarthy.

The personal ambitions of the Senator from Wisconsin, to whom the exploitation of latent anti-British sentiments in America is merely a means to a quite unrelated political end, must not be allowed to bedevil a sector of Anglo-American relations in which reason and compromise have hitherto been surprisingly successful. Last week Mr Dulles dealt severely with Mr McCarthy himself. On this side of the Atlantic, however, it needs to be made clear that the contrapuntal chorus in favour of unrestricted trade with China, which provides Mr McCarthy with much of his propaganda material, is no more representative of informed British opinion than the Senator is of American opinion.

Maltese Experiment

UNEXPECTEDLY, Mr Lyttelton last week made public his proposals for transferring responsibility for Malta from the Colonial Office to the Home Office. The island's new constitution, which came into force in 1947, while safeguarding Britain's strategic interests, went far towards meeting Malta's patriotic wish for autonomy. For some time, however, there have been nationalist rumblings off-stage and the storm finally broke over the

alleged slight offered to Dr Borg Olivier, the Prime Minister, when he was not ranked with the Commonwealth Prime Ministers at the Coronation.

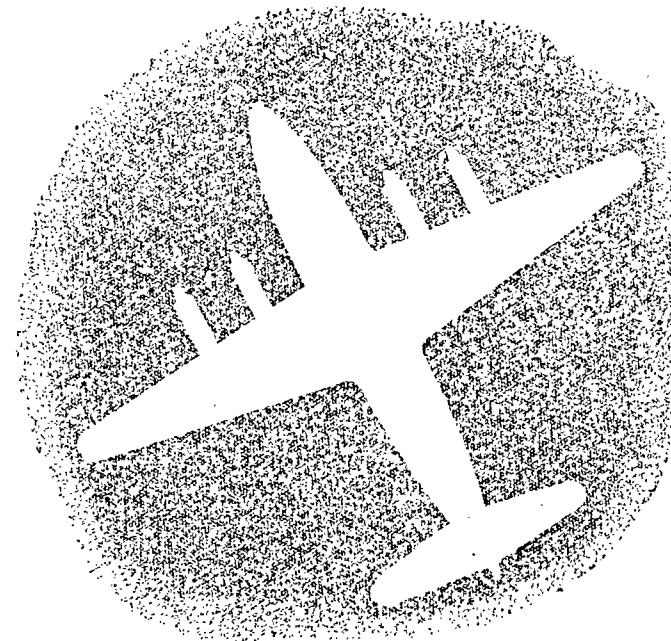
Mr Lyttelton's counter proposals to the demands that Maltese affairs should be transferred to the Commonwealth Relations Office reached the island just before Dr Olivier's government suddenly fell. Perhaps Mr Lyttelton could not justifiably have remained silent until after the elections; but in many ways it is a pity that the proposals have been thrown into the cockpit of Maltese politics at a time when the electors' ears have already been deafened by partisan shouts. For they have much intrinsic merit. There are good reasons why Malta should not be given the full status of a dominion, however proud its record. The island is too small and too weak economically to rank on equal terms with the great self-governing dominions. But for the Maltese the idea of being classed as colonials is understandably invidious; the Colonial Office is symbolic of an inferior status. The suggestion, therefore, that, for administrative purposes they should be transferred to the Home Office should appeal to them. The Channel Islands, which would presumably be used as a model, feel no stigma in a relationship that in itself would neither weaken nor strengthen the island's ties with the Commonwealth.

The proposals have not, of course, appealed to those nationalists who advocate dominion status as a polite synonym for total independence. So long as the island remains a bastion of British power in the Mediterranean (and it is to Malta's interest that it should do so) Britain is bound to retain the final say in matters of defence and foreign policy. Nevertheless, irritations in the working of the dyarchy should be removed. At present, for instance, Maltese ministers have to take up all questions with their opposite numbers in this country, notably the Service Ministers, through the Governor and the Colonial Office. Again, Maltese politicians assert that many powers still retained by the British Government could without prejudice be handed over to local control. Flexibility will have to be shown on points such as these if the Maltese are to agree to an experiment that offers great possibilities for a developing Commonwealth.

Poisoned Air

SHOULD people feel a duty to help control the nuisance—as unpleasant as the name it goes by—of "smog"? The committee on air pollution (known as the Beaver Committee) in its interim report published last week, has no doubts on the point. The worst producer of smoky fog is not industry, but the domestic hearth; and moral persuasion is the only weapon that can be used against it. The table shows how the emission of smoke, grit and sulphur dioxide—the chief noxious elements in smog—is divided between industrial and domestic users. In closely populated areas the domestic proportion increases and 60 per cent of the great London fog of last December was due to domestic fires.

It was the London fog that made the nation anxious about smogs, but the main damage is done by the less spectacular fogs that hang over many of Britain's indus-



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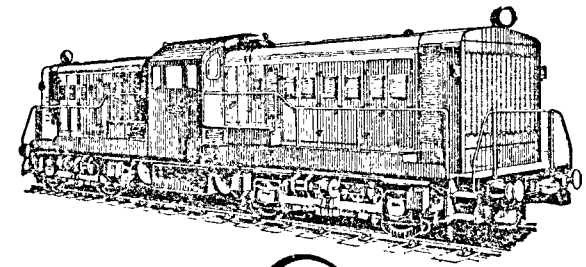
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Marmite, in its handy wide-topped jar, is now a familiar sight in grocers' shops—and in kitchens—up and down the country. The Marmite salesmen mightn't have done such a fine job without efficient backing from headquarters . . .

Customers could never complain of a bottleneck (nor could the head office!)

AT THE WAR'S END, the Marmite Food Extract Co. Ltd. were faced with a problem—and an opportunity. For years, supplies of Marmite had been far below demand. Raw materials were short, and most of the output went to the Armed Services. Then the situation changed. It was time for aggressive selling. The sales-force was ready; new



Seen operating a Burroughs Typewriter Accounting Machine in the offices of the Marmite Food Extract Co. Ltd. is Miss Doris Miller. This is one of the fast and versatile machines that are helping to keep the salesmen (and their customers) satisfied.

territories could be opened up; new demand could be created and *satisfied*.

But, in support of this sales campaign, could the office departments cope with the great volume of figuring work involved? To plan its production in advance, the company realized that it must have detailed statistics on the selling operation—sales analyses by travellers, by areas, and by class of outlet, would have to be prepared *day by day*.

Some years earlier the company had used Burroughs machines to cut six weeks off the time needed to make up the books at the year's end. Now, with this new problem, Burroughs were consulted again. After investigation, Burroughs specialists recommended the installation of Burroughs Typewriter Accounting Machines on which complete records of sales, purchases, and other data could be classified in many different ways.

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trial areas for thirty or more days in the year. These seep into the lungs; they blacken and erode buildings; they corrode metals. The committee estimates the annual cost to be as high as £100 to £150 million a year. The only way, as it points out, of stopping this waste is the wholesale introduction of modern boilers and stoking methods by industry, and the scrapping of the cheerful open hearth in favour of appliances which can burn smokeless fuels.

Legislation to control smoke emission from factories

Type and Use of Fuel	Quantity of Fuel (mns. of tons per annum)	Pollutants Discharged (mns. of tons per annum)		
		Smoke	Grit	Sulphur Dioxide
RAW COAL				
For domestic use	36.9	0.9	0.1	0.9
For electricity works	35.7	Neg.	0.2	1.0
For railways	13.9	0.4	0.1	0.4
For industrial and miscell. uses	65.1	0.8	0.2	1.8
For coke ovens	25.2	Neg.	Neg.	0.1
For gas works	27.9	Neg.	Neg.	0.1
Total consumption of coke (other than at gas works)	26.1	Nil	Neg.	0.7
Total	230.8	2.1	0.6	5.0

Neg. indicates negligible or small amount.

already exists: exhortation has the backing of the law. But probably the only way to induce industry to install modern boilers is to make its old ones too expensive to run by raising the price of coal. The smokeless fuels needed for houses are not produced in anything like sufficient quantity, nor is it easy to see how, given the supplies, landlords could be induced to install the appropriate sort of grate. Until such problems are tackled there is little point in proceeding with the proposed smokeless zones that include residential districts (the two which are at present enforced cover only factory areas). Meanwhile, preventive measures, such as fog warnings and exhortations to stock small quantities of coke, are the merest first aid.

Society and the Homosexual

THERE is one big difference between the present excitement over homosexual offences and the similar excitement, a year or so ago, over crimes of violence. Then, the agitation came from the general public, backed up by some of the judges, whereas the Government kept its head and refused to be stampeded into panic measures. Today the public appears to be largely indifferent to the so-called vice wave, and the denunciation of it appears to have come mainly from public figures.

The whole subject is indeed badly in need of dispassionate consideration before emotions become more widely roused. For, like all forms of sexual activity, it is a question on which public emotion can be whipped up very quickly and towards which the attitude of society can vary hugely from one generation to another. Thus, the increase in the statistics of homosexual offences, though it is indeed notable (more than fourfold since 1938), does not tell the whole

story. What one does not know is whether in the meantime there has been a change in the attitude of the police towards prosecuting the offenders. More information is also needed on the extent to which homosexuals pervert the young. According to a parliamentary answer given last week, the Home Secretary appears to believe that most of them are a danger to children. But is his belief perhaps merely based on the fact that cases in which children are involved are the ones that are most likely to be reported to the police?

Few people will dispute Sir David Maxwell Fyfe's contention that children must be protected from the homosexual as from other sexual offenders—though some will maintain that more harm can be done to the child by the court proceedings than by the offence itself. Many people, however, think that a distinction should be drawn between offences against children and homosexual relations between adult males in private. It was not, after all, until 1885 that Parliament made "gross indecency" committed by males in private a misdemeanour liable to be punished by two years' imprisonment—and in doing so presented blackmailers with a wonderful opportunity. There are, in fact, strong grounds for an objective inquiry into the working of the law against sexual offences of all kinds and the right method of dealing with offenders, and it is greatly to be hoped that Sir David Maxwell Fyfe will agree to appoint one.

Punishment for Wife-Beaters

Day after day the police reports teem with cases of brutal men being punished by fine or imprisonment for ill-treating women. Doubts have been expressed whether this proceeding, by depriving women in many cases of their usual and sole support, and by exciting the anger of the men, may not make the condition of the women worse than it is; but no doubts whatever can exist that if the punishment is to be efficacious as an example, and influence the conduct of those by their apprehensions who live beyond the immediate circle of the punished and angry individuals, it must be known that it is inflicted. What means, then, are taken for making it known throughout all the "back slums," "alleys," *culs de sac*, and out-of-the-way places of the metropolis, that severe punishment is regularly inflicted for wife-beating? Are the newspapers relied on? Those which the poor read are published only once a week, and only a few of the wife-beaters read even the weekly papers. Nor do the papers make such cases known with authority or in a way to make them impressive. As the cases are described *viva voce*, and a knowledge of them is spread from the parties punished to their neighbours and in the localities, they are discoloured and misreported; and even if correctly reported and in a way to make an impression, a knowledge of the facts can by these means be spread only very slowly through the classes the punishment is intended to reform. . . . It is in truth little better than a waste of suffering—a sort of gratuitous cruelty—to inflict punishment as an example, and not make the infliction known. We would hint, therefore, to all concerned, that every instance of punishment for ill-treating women should be shortly but emphatically described by the police authorities, printed on large posting bills, and displayed on the walls and thoroughfares of all places where it is likely to be useful.

The Economist

December 10, 1853

Letters to the Editor

Middle Eastern Alternatives

SIR—In your issue of November 21st you say that the Egyptian negotiators have “the growing feeling that if they wait until 1956 and then exercise their right under the Treaty of 1936 to appeal to the United Nations against the unwanted presence of foreign troops, they are sure of a heavy vote against any British claim to stay.”

I do not pretend to know the feelings of the negotiators, but if you are right, they have misread the 1936 Treaty.

So far as the treaty itself is concerned, 1956 is merely the date at which negotiations for a treaty to replace it must, as opposed to may, commence. The new treaty, however, must provide for an alliance between Britain and Egypt by which *inter alia* “in the event of war, imminent menace of war or apprehended international emergency” Egypt will accord to Britain “all the facilities and assistance in its power including the use of its ports, aerodromes and means of communication.”

Subject to the foregoing, the new

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treaty must be made by agreement of the parties; but if they fail to agree, the difference is to be submitted either to “the Council of the League of Nations . . . or to such other person for decision in accordance with such procedure as the parties may agree.” It is commonly but erroneously supposed that the United Nations Organisation has replaced the League of Nations for this purpose. That this is not so, is made clear by the Foreign Office in *Anglo-Egyptian Conversations*, Nov. 1951 (Cmd. 8419), page 3, note 2, where it is stated that “clearly only arbitration of the latter kind is applicable now.” The hypothetical arbitrator must therefore be one agreed by Britain as well as Egypt, and the field is open.

The stationing of forces in the Canal Zone is governed, under the Treaty, by Article 8 and ends when the parties “agree that the Egyptian Army is in a position to ensure by its own resources the liberty and entire security of navigation of the canal.” Again, in default of agreement on this question after 1956, there is provision for arbitration.

That in circumstances prevailing after 1956 an arbitrator agreed by Britain and Egypt would determine specifically that “the Egyptian Army is in a position to ensure by its own resources the liberty and entire security of navigation of the canal” is anything but a foregone conclusion.—Yours faithfully,

J. ENOCH POWELL

House of Commons

A Mission to Moscow

SIR—Mrs Joan Robinson attacks you for saying that the British Council for the Promotion of International Trade “has associations with the Communist party and its discredited offshoot, the World Peace Movement.” This she “knows personally to be entirely without substance.” It is disappointing to find that she does not provide facts to prove this. In the absence of such information, I, for one, am bound to agree with the opinion of the Foreign Secretary that the BCPIT is a Communist front organisation.

The World Peace Council, “whose work should now become the pivot of the entire activity of the Communist Parties” (Cominform resolution of November 29, 1949), at its meeting in February, 1951, passed a resolution which states: “The World Peace Council decides to convene in the Soviet Union in the summer of 1951 an international economic conference of economists, technicians, industrialists, businessmen and trade union leaders of all countries. . . .”

A few months later Radio Moscow said that for the “partisans of peace” the proposed conference was of “no less importance” than the notorious Stockholm appeal. It soon became clear, however, that such a function, under the auspices of the World Peace Council, would not meet with the support of “industrialists, businessmen,” etc. Invitations were then issued for a meeting in October, 1951, of the Initiating Committee for an International Economic Conference. This is the Copenhagen meeting usually quoted by spokesmen of the BCPIT as having originated the Moscow conference. Such initiating committees have been used by Communists on other occasions, and their true purpose was candidly described by M. Astier de la Vigerie at a meeting of the World Peace Council on November 1, 1951. Referring to the plan of organising a conference against German rearmament, he said: “Many people . . . share our views on the German problem without accepting any of the other tenets of the Peace Movement. They would not yet be ready to support a step initiated by the World Peace Council. We, therefore, propose that an initiating committee should be formed on a broad basis.”

As for the objective character of the information disseminated by the BCPIT I should like to draw attention to a “Study of the Markets for British Engineering Products,” published in February, 1953. On page 11, the reader is informed that in the countries with a planned economy, as a result of industrialisation, “the scope for foreign trade today is on an immensely larger scale than before the war.” And on page 23, we are told that “the Eastern countries represent a *limitless market* (my italics) for British engineering products and are capable of supplying this country with essential and non-dollar fodder, food-stuffs and raw materials.”

To a student of the economy of Eastern Europe this appears to reflect very poor market research indeed.—Yours faithfully,

A. N. PARKER

London, W.11

On Israel's Frontier

SIR—In your issue of October 24th, you wrote of the Arab villagers on the Jordan side of the border now cut off from their lands across the frontier: “Their inhabitants are not refugees in the UN sense of the term, because they have not lost their homes; therefore they do not receive UN rations.”

I can speak only of the action of the UN Children's Fund. From 1948 to 1952 UNICEF contributed supplementary food for the mothers and children of the refugee population. Early in 1952, when the situation of the border villagers in Jordan became acute, UNICEF provided in addition emergency supplies of milk for the mothers and children of these sixty or more villages. These supplies are to be continued through 1954.—Yours faithfully,

UNICEF, W.C.1 DUDLEY WARD

Books & Publications

Sense About Fuel Policy

THE PRICE OF FUEL.

By I. M. D. Little.

Oxford University Press. 197 pages. 12s. 6d.

THIS contribution to a political argument employs a degree of economic sophistication that is already irritating the technocrats. Mr Little, an academic economist who since completing this book has entered temporary Government service, here joins the debate on national fuel policy, which has mainly been left to experts in thermodynamics, electrical engineers, and believers in what Mr Little aptly calls “a coal theory of value.” He shares some of their anxious premises, but not their conclusions: his own approach to national fuel policy is through a pricing policy. No approach is more sensible—and none so unpopular.

Mr Little holds that the Ridley Committee's views on fuel policy last year were too moderate, and points out that, in any case, its recommendations have largely been ignored. He thinks the committee's estimate of some 260-270 million tons, as the likely total demand for British coal in 1959-63, was too low, mainly because it incorporated the Coal Board's estimate of 25-35 million tons as the amount of coal Britain would then be able to sell abroad. Mr Little thinks Britain could hope to export twice as much. He believes, moreover, that present trends in the use of different fuels are causing an uneconomic diversion of the country's investment resources into the building of extra power stations—arguing that the undistorted demand for power at economic prices might require no more than half the extra generating capacity over the next 5-6 years that is now planned.

His remedies are logical (in some aspects perhaps more so than certain details of his diagnosis), but unlikely to suit the enthusiasts for national fuel policy by fiat. He proposes, as did half the Ridley Committee, a sharp increase in coal prices—15s. a ton—and demonstrates interestingly how limited an effect upon general industrial costs this rise might have, even at second remove. He incidentally leans over backwards to prove that this is not a price based on marginal cost, or tending towards long-term marginal cost, as the Ridley Committee and other proponents of an increase have thought it was. His own guesses at true marginal cost, both now and towards the end of the NCB's National Plan are ingenious but not wholly convincing.

In coal pricing policy, he also advocates the further opening of the “coal concertina”—i.e., the widening of the

price range between the best and the worst coals sold. Mr Little, incidentally, appears to be a believer in delivered coal prices, though his views are not stated conclusively; so that the Coal Board may find some comfort in his argument. It may be less hopeful of his proposal for division of the £150 million annual surplus that it would reap from such a rise in coal prices—10s. a week more for the miners, £3 million a year more for NCB training, and £129 million a year for the Treasury, for use in subsidising better domestic grates and in pensions and family allowances for people hit by the increased price of coal.

No such shreds of sympathy for Mr Little are likely to come from the British Electricity Authority. For reasons not unfamiliar to readers of *The Economist*, he advocates the introduction of time-of-day tariffs for all electricity consumers who take more than 2,500 kwh a year, and “seasonally-tilted” two-part tariffs for all others—to be combined with a gradual move towards the two-part tariff in gas pricing. His attribution of all capacity costs to peak hour demand, though shared by most economists who have written on the subject, would be challenged by much sophisticated opinion even outside the BEA; and his assumption that economical tariffs would save large quantities of coal may be even more questionable. The estimates of contribution to peak demand on which this conclusion is based may be out of date and inadequate, as BEA spokesmen often argue; but since BEA took over research into diversity and utilisation it has ceased to publish the results from which independent criticism could be adequately informed.

Mr Little would combine such reforms in fuel prices with public subsidy of really efficient domestic grates, as against the somewhat improved ones installed by many people recently; when the social cost of smoke, plus the possible savings of some fuel and much wasted warmth, are considered against cost and individual incentive, this may fit the classic conditions for subsidy. All the measures he advocates, he believes, might save some 13-18 million tons of coal in domestic and power station use, against which would have to be set off the carbonisation of more coal to meet the transfer of space heating demand from electricity to gas that result from more economic prices for electricity.

This book, as has been said, has immediately caused some irritation among what is called “informed opinion” in and around the fuel industries. It is open to some effective criticism on points

of detail, and not even all those who broadly agree with its proposals may quite accept some of its more strained calculations. But such intrusions of the professional economist into areas of controversy that are too often parcelled out between the new monopolies of technical opinion is entirely to be welcomed. The consumer, and the public interest, need daily more protection from these vast, well-meaning organisations that were set up to serve both.

Jet-Propelled Politics

JET.

By Sir Frank Whittle.

Frederick Muller. 320 pages. 16s.

GAS TURBINES AND THEIR PROBLEMS.

By Hayne Constant.

George G. Harrap. 160 pages. 17s. 6d.

WAS it coincidence that these two books, written by life-long rivals, were both published on the same day? Dr Hayne Constant was doing research into jet engines at the Royal Aircraft Establishment during the critical years that Sir Frank Whittle's small company, Power Jets Ltd., short of money and almost as short of friends, was building its first engines. Dr Constant was one of Sir Frank's early supporters, but their paths later divided. After Sir Stafford Cripps nationalised Power Jets in 1945 and stripped it of all responsibility for designing the engines for whose development the company had been wholly and solely responsible, Sir Frank left the company, severing all his connections with the aero engine industry; and it was Dr Constant who took his place at Power Jets and who is today head of the National Gas Turbine Establishment. His book is what one would have expected it to be, a cool and balanced account of the development of gas turbine technology, describing in not too great or too technical a detail the problems that designers can expect to meet in designing the separate components of a gas turbine and the kind of steps that are being taken to overcome them.

Sir Frank's book is, by contrast, almost wholly non-technical and intensely dramatic. He kept a record of all letters, memoranda, notes and telephone conversations during his time at Power Jets, and, after reading his book, a good many people will wish that he hadn't. He and a few friends founded the company in 1936, on £2,000 borrowed from the bankers O.T. Falk and Company. The British Thomson-Houston Company made the engine components for them on a cost-plus basis; bills were paid monthly; and every time the fiendish looking engine ran on its test-bed in the BTH plant, engineers fled for refuge inside the huge casings of BTH's more conventional turbines while Frank Whittle stayed paralysed watching his monstrous brain-child spurting flame. Mechanical difficulties there were in plenty, constant financial worries, and towards the end a total break-down of

Sir Frank's health. But the real theme of the book lies in the company's relations with the government. Sir Frank was a serving RAF officer; the Crown had user rights on all patents he took out; and he was allowed to work on engine development only by gracious permission of the Air Ministry. He wanted to build engines, and the civil servants who controlled his destiny intended otherwise.

Gradually, Power Jets' designs were handed over to other companies to build, and it was made increasingly clear to him that decisions were being taken to stop Power Jets from building engines and eventually to prevent the company even from designing them. Sir Frank would have no truck with a proposal that Power Jets should do "research" into gas turbine problems and leave design to other, established companies and in 1946, aged 39, he left Power Jets and the gas turbine industry for good.

The wisdom of the decision to anaesthetise Power Jets and deprive the country of any subsequent work that Sir Frank might have done is far from proved. One of his last designs has since become the starting point for development of the Rolls-Royce Conway engine, still on the secret list and widely believed to be one of the most important of recent advances in engine design. This is a painful and disquieting book to read, with something of Kafka's dream-world frustration translated into human experience. As a social, rather than a human, document, it suggests that the existing Government machinery for sponsoring development—especially as it affects small companies—is far from perfect.

Superficial Biography

METTERNICH.

By Constantin de Grunwald. Translated by Dorothy Todd.
The Falcon Press. 334 pages. 21s.

IN the absence of any other indication one may infer from the dates in M. de Grunwald's bibliography that this work was published in French about 1937. Its appearance in English sixteen years later hardly justifies the extensive claims made in the too ebullient preface. The one-sided views of Metternich's character and policy adopted by Stendhal or Sorel have long ago been corrected by later historians, and it did not need the detachment of a Russian émigré to "consider the Metternich question objectively." M. de Grunwald was not the first to examine the archives at Paris and Vienna. There is nothing new, though there may be something unfashionable, in his thesis that the Metternichian "system" was necessary for Europe after its *bouleversement* by the Revolution and Napoleonic wars. Nor does this book always satisfy strict standards of history or literature. The fall of the French throne in 1792 is put before the declaration of the war which brought it about. "The Beresina pass" is apparently a mistranslation for "passage"; the battle of Navarino should not be "Navarin" for English

readers; the Carbonari were not a "Union of Coal-heavers."

Nevertheless this book may be consulted for the new light it throws, by the use of hitherto unpublished documents (but without such references as might enable other historians to check them), on the negotiations preceding Napoleon's marriage to Marie-Louise, and the famous interview at the Marcolini Palace; though this new evidence does not really diminish Napoleon's initiative in the first case or settle what happened in the second. Apart from these elements too much of the body of the book is devoted to superficialities—frocks and functions, wives and mistresses, "Congress dances" and the Blue Danube. It is what the French call *petite histoire*, with some contributions to serious learning.

The Unconscious Mind

PHILOSOPHY AND PSYCHO-ANALYSIS.

By John Wisdom.

Basil Blackwell. 282 pages. 22s. 6d.

THERE have been two main traditions of critical philosophy in this country. The one, deriving from the positivists and Russell, used scientific method and language as its model and tried either to eliminate other kinds of discourse as meaningless or, by dubbing them expressions of emotion, to rid them of rational criteria. The other, deriving from Kant and Moore, was more catholic in its approach and tried to show that scientific discourse is not the only kind of rational discourse and that "every sort of statement has its own sort of meaning." Professor Wisdom belongs to the latter tradition. This book is a collection of articles and book reviews published in various periodicals between 1934 and 1948. It includes "Is Analysis a Useful Method in Philosophy?", "Philosophical Perplexity," "Metaphysics and Verification," "Gods," "Things and Persons."

In these articles there are no explicit theses which are rigorously defended, no clear conclusions which are eventually reached. Professor Wisdom is like a guerilla fighter sidling amiably and anxiously along a tortuous path with a shotgun. At frequent intervals he looses off both barrels at a modern metaphysician—a logical positivist or a naïve scientist who thinks that evolution has something to do with ethics—or he expounds riddles about souls, being in love, or horse-racing. He is guided only by the conviction that very little can be said clearly and that we can only come to understand what we mean by seeing how like, and yet how unlike, it is to something else we might say. There thus emerges a technique for dealing with problems. In his famous article on "Gods," for instance, instead of setting out in a ponderous way the arguments for and against religious belief, he graphically compares the question "Is belief in gods reasonable?" to questions like "Do flowers feel?", "Did she love him or did she hate him?", or

"Did the driver exercise reasonable care?" At the end of his treatment we are not exactly clearer about the status of religious beliefs, but we know better whether or not we are religious.

It is this technique for dealing with problems that justifies the rather misleading title of the book. It is true that there are three articles which suggest the title, and there is also a critical review of four books of psycho-analytic interest. But more important is the similarity between doing philosophy in Professor Wisdom's way and being psycho-analysed. In both methods of treatment familiar things are looked at in unfamiliar ways, and one seeks a decision about which way to jump by making explicit latent opposing forces. In both psycho-analysis and philosophy we try to become aware of the unconscious models lying beneath the vagueness of our ways of describing situations. And in both cases we come to see the deep forces at work beneath the play of argument.

This is a fascinating book to explore. It is written by a man of broad human sympathies and great analytic ability. But it makes rather tortuous reading. Like psycho-analysis it must be taken in small doses.

Stalin, Hitler and the West

SOVIET DOCUMENTS ON FOREIGN POLICY, Vol. III, 1933-1941.

Edited by Jane Degras.

Oxford University Press. Issued under the auspices of the Royal Institute of International Affairs. 522 pages. 42s.

THIS volume concludes the monumental undertaking by Mrs Degras on behalf of Chatham House. The series will be indispensable to serious students of world affairs between the world wars, and of considerable value to all who wish to understand the world of today. The editor has shown, as usual, great resourcefulness in assembling her material. It includes not only speeches by Litvinov and Molotov and subordinate Soviet diplomats, and TASS communiqués, but also occasional important articles from the Soviet press. Among these may be mentioned one by Tukhachevsky in March, 1935, on Germany's war plans, and one by Zhdanov on June 29, 1939, accusing Britain and France of undertaking negotiations with the Soviet Union solely as a manoeuvre to "make easier for themselves the road to a deal with the aggressors."

These pages cover the years of Hitler's threat to European peace and the first phase of the Second World War. There is little left, in Soviet pronouncements from this period, of the exalted revolutionary tone of the régime's first years. But it would be too much to say that the style of Soviet statements in the mid-1930s was that of traditional diplomacy. There is a strong undertone—at times more than an undertone—of moralising self-righteousness, which suggests not so much a

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revolutionary régime as a rising bourgeoisie, gifted with a more than Victorian pomposity and self-complacency. It may indeed be that this is precisely what was happening in the Soviet Union in these years. The tone and style, of course, vary. The statement of June 29, 1940, on the ultimatum given to Rumania, demanding the immediate cession of Bessarabia and Northern Bukovina, is in the most orthodox imperialist tradition, though more crudely expressed than its nineteenth century prototypes. But the following passage from Molotov's speech of August 1, 1940, on the annexation of the Baltic states, has a flavour all of its own.

We note with satisfaction that the peoples of Estonia, Latvia and Lithuania voted solidly for their representatives, who unanimously pronounced in favour of introducing the Soviet system and of the incorporation of Lithuania, Latvia and Estonia in the Union of Soviet Socialist Republics.

The editor warns her readers that these documents "present only the surface aspect of one part of the total picture." This is perhaps especially true of the years 1937 and 1938. Between the years of co-operation with the Western powers in international policy and of Popular Front in Comintern policy (1935-1936) and the years of co-operation with Nazi Germany through both diplomatic and Comintern channels (1939-1941), there is an ill-defined intermediate period, characterised especially by the Yezhov purge which decimated the ranks of the Red Army and the Soviet diplomatic service, as well as most branches of the Communist Party and the government apparatus. During this period the attitude of Stalin to the Western powers and to Germany is extremely obscure. No public statements can throw much light on it.

Subject to these limitations, whose causes are beyond the control of Mrs Degras, her book deserves the highest praise. Readers will look forward to the promised

selection of annotated documents issued by the Communist International, that equivocal stepchild of Soviet foreign policy on which work has already begun at the Royal Institute of International Affairs.

Centuries of Science

A HISTORY OF THE SCIENCES.

By S. F. Mason.

Routledge and Kegan Paul. 520 pages. 28s.

TO write a complete history of science from the earliest times to the present day is a formidable task for anyone to tackle. It involves a clear understanding of a wide variety of different sciences ranging from astronomy to genetics and an ability to explain their salient principles in simple language to the layman. One might expect to find at least some unevenness in the treatment and the developments in certain sciences stressed to the detriment of others. Dr Mason, however, seems equally at home in all

branches of science, and gives no indication of his special interest in chemistry. To maintain a fair balance in emphasis between the parallel progress in different subjects throughout so long a book is a remarkable achievement, and the author should be congratulated on a fine piece of work.

But this book is something more than an extremely lucid and well-written history of science. It is better described as an account of the development of scientific thought through the ages. In the earlier chapters the author has been particularly successful in linking the growth of scientific understanding with contemporary history and religious thought. He also manages with great skill to separate the threads of progress from the mass of superstitious nonsense which engulf the writings of the earlier experimenters. In the old days theories were advanced as much for religious as for scientific reasons. Dr Mason has, in fact, made a special study of the connection between the Protestant Reformation and the scientific revolution of the sixteenth and seventeenth centuries which resulted in the fruitful alliance between Protestant theology and science that lasted until the publication of Darwin's theory of evolution.

The book is packed with interesting and unusual information, and there is a fascinating chapter on early Chinese science. Inevitably the chapters on modern science have had to be greatly condensed, but the selection of the most important lines of advance has, for the most part, been well done. Indeed, each of these later chapters gives an admirable summary of recent advances in a particular branch of science, and could well be read as a separate account.

While it is unlikely that the whole of this book could be completely understood by a non-scientist, the reasoning throughout is given in such simple language that the bulk of it should be perfectly comprehensible to the intelligent layman. But it is of necessity tightly packed and requires slow reading.

Uncommon Men

MEN OF DESTINY.

By H. C. O'Neill.

Phoenix House. 240 pages. 18s.

THE late Mr O'Neill ("Strategicus") hit on a first-class idea for a book, but failed to put it into effect. His *Men of Destiny* are Churchill, Roosevelt, Stalin and Hitler, "the Four" (to quote his title page) "who rode the war and made this precarious landfall." Here was a promising opportunity for an illuminating comparison of those four contemporaries, each in his own way a master of politics, national leaders with the most widely varying gifts and aims, brought to a common denominator by the events of the war. Mr O'Neill, however, having whetted our appetite fails to satisfy it. He was content to print four brief self-contained biographies (competent enough without adding anything new) and to leave the comparison almost entirely to the reader. There is not even

a concluding chapter to draw the threads together.

The nearest Mr O'Neill comes to stating his view is in the introduction. After making much of Henry Wallace's "Century of the Common Man," he writes:

Stalin, and to a lesser degree Hitler, came from the ranks of the common man in the sense of being cast upon the stream of life deprived of almost every initial advantage, unlike Roosevelt and Churchill, who lived sheltered lives with an assured future. These four men, in their origins, broadly represent two different traditions: the "ordinary men and women" and the "privileged" class.

Beyond this superficial characterisation Mr O'Neill does not advance very far, preferring to stick to conventional biography. The result, like the *Century of the Common Man*, is disappointing.

Shorter Notices

ENGLISH LAW AND THE MORAL LAW.

By Sir A. L. Goodhart.

Stevens. 151 pages. 12s. 6d.

THE QUEEN'S PEACE

By Sir C. K. Allen.

Stevens. 192 pages. 12s. 6d.

These two volumes contain the fourth and fifth Hamlyn Lectures, lectures delivered at the Universities of Manchester and Wales respectively, under the terms of a trust established by the late Miss Hamlyn for the furtherance of knowledge of comparative jurisprudence. Their titles are a clear guide to their contents. Meditations upon a theme would be a fair description of them, the theme being the English common law and its varied excellencies. Each volume is fluent and enriched with learning and experience, but at the end one is left with a faint sensation of having been cloyed. Perhaps Miss Hamlyn's love of the common law could best be furthered by an occasional lecture more astringent than the first five. Has not the time come for the trustees to emphasise the word "comparative" in their charter and ask, say, a Dutch lawyer to survey the common law of this country from without?

*

WHITE MAN'S COUNTRY: *Lord Delamere and the Making of Kenya.*

By Elspeth Huxley. 2 Vols.

Chatto and Windus. 648 pages. 36s.

THE appearance of a new edition of Mrs. Huxley's study of Kenya's development through the life of the man who did most to foster white settlement in the Highlands is particularly welcome at this time. The settlers' attitude is the result of the history of the colony, which was largely shaped by Delamere; and the settlers' case—which is a strong one—can be made only against a comparison of what Kenya was and now is. The reasons why Kenya has in the past ten years developed so differently from the way Delamere expected are also only to be appreciated from history. Delamere saw himself building the last of the white dominions; his dynamism carried the settlement far—but the hour was late and world events unpropitious. In the end he set the terms of a far more difficult and as yet unsolved equation: the working out of racial co-operation in a plural society.

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.

Clouds Over Bermuda

Bermuda

OF the three participants in the Bermuda conference, none had been more reluctant to attend than President Eisenhower; and no government had breathed a deeper sigh of relief than did the American when the delivery of the Russian Note last week made it certain that the conference was going to have questions of substance to ponder. The reasons for the lack of American enthusiasm about this conference are straightforward enough. In the first place, it was not called in response to American initiative but at the insistence of Sir Winston Churchill; he is deeply admired in the United States, but not when he takes the initiative in world affairs.

Secondly, the month of December is for any American Administration an extremely busy time during which the elaborate process of budget making reaches its climax and every day is precious. Moreover, with the Congress about to reassemble, it is a very difficult time for the Administration to make any far-reaching decisions. Even after the delivery of the Russian Note it was strongly believed in Washington that, in so far as the main business of the conference was to be a reassessment of Russian intentions and of the strategy of the Western powers to meet them, the conference had been held too early and would have served a more useful purpose, say, next spring.

Thirdly, there has been a generalised fear throughout the American press and opinion that President Eisenhower, the younger and less experienced man, would be unable to

resist the wiles of Sir Winston. Bermuda could very easily have joined Yalta and Potsdam in the rogues' gallery of editorial infamy.

Most important of all, President Eisenhower and Mr Dulles came to Bermuda with the dust of their battle with Senator McCarthy still eddying across the length and breadth of the United States. Mr McCarthy had,

in fact, challenged the authority of the President and Secretary of State to take part in the kind of general discussion of Allied policy for which the Bermuda conference was intended; throughout its duration the mounting score of his much disputed "Write to Ike" campaign was the principal item of news.

Consequently, it was clear even before the conference started that the American attitude at Bermuda would inevitably be a rather inflexible one since the political imperatives under which the President was labouring were stronger even than those dictating the position of M. Laniel and M. Bidault. In fact, however, the President's speech on Tuesday before the United Nations, with its strong idealism and proposals for international co-operation on atomic energy, intended to capture the world's imagination, has either by accident or design

virtually eliminated the Bermuda communiqué from the front pages of the American newspapers and has clearly given a strong fillip to Mr Eisenhower's domestic position.

The policy of extreme secrecy which both the President and the Prime Minister imposed upon their deliberations will make it very hard to arrive at any conclusion about the



Herblock in the Washington Post

decisions of the conference for several weeks. Clearly the reference in Tuesday's communiqué to "intimate and durable co-operation between the United Kingdom and United States forces and the forces of the European Defence Community on the continent of Europe" represent the farthest that the President and the Secretary of State were prepared to go in giving the assurances, sought so urgently by France, that there would be no withdrawal of American troops in Europe in the foreseeable future, despite the pressure to reduce the American military budget.

It is still not clear whether President Eisenhower's recent public guarantee, that the "effectiveness" of American forces in Europe would be maintained, applies to the numbers of troops and divisions or to firepower, including the substitution for actual ground forces of tactical atomic weapons. This idea seems reasonable enough to the new leadership in the Pentagon but is not accepted with anything like the same equanimity in France or Western Europe.

What is clear, however, is that the United States is not prepared to abandon the European Defence Community as the principal objective of its European policy. There is less talk in American official circles about an alternative to EDC or of methods by which Western Germany can be inducted into a tightened version of the North Atlantic Treaty Organisation than there appears to be in similar British circles. Apart from the President's continuing belief in the virtue of European federation as an end which is good in itself, there remains a strong reluctance in Washington to face the alternatives to EDC, at least until it has become certain beyond any shadow of doubt that its instruments will never be ratified by France. Among other factors the Pentagon, which is generally credited with being insistent on the speedy transaction of any arrangement which will enable twelve German divisions to be mobilised, has acquired such a strong vested interest in its supply route through France, in which it has invested billions of dollars, in pipelines, roads and airfields, that the Joint Chiefs of Staff are now among the principal enthusiasts for EDC.

Moreover, the isolationism of at least one-third of the members of the President's own party in the Senate has made it virtually impossible to contemplate American ratification of any tightened version of the North Atlantic Treaty. On the date to be suggested in the reply to the Soviet Note—that is, January 4th—Mr Dulles won his point. He argued that the meeting should be held early in January, in order that it should not be dragging on when the crucial part of the Congressional timetable arrives, while M. Bidault wanted to defer the meeting until late January. The American political situation has had as much effect upon the deliberations at Bermuda as the French one.

★

Behind the barbed wire and amid the hideous Tottenham Court Road décor of the Mid-Ocean Club, the meeting of minds between President and Prime Minister appears to have been achieved successfully. The phrase that sounds so banal in a communiqué, "an exchange of views," denotes a process that is actually of the highest importance to statesmen. The conference has, on the whole, had a reasonably generous and sympathetic treatment from the American press; this is the more creditable as nearly two hundred journalists from all over the world arrived to find that they were going to be given virtually no direct news whatsoever.

There were roughly a score of journalists representing the five New York newspapers which had suspended publication because of a strike.

Sir Winston's self-denial when he refrained from raising the question of high level talks with Mr Malenkov appears to have sent a sigh of relief through American public opinion; he was greatly assisted in this discipline by the timing of the Soviet Note. With a government as much in travail both politically and constitutionally as that of M. Laniel, it was obvious that no great decisions on western policy were going to be taken. The important thing to determine is whether President Eisenhower and Mr Dulles, having finally made a stand against Senator McCarthy, are going to abandon their French view of the powers and functions of the American Presidency when Congress reassembles next month, and give that body the strong lead and the firm hand which it needs.

Cotton's Kingdoms

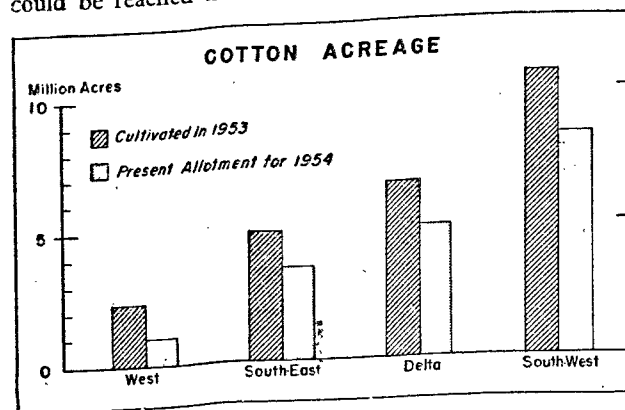
FROM A CORRESPONDENT IN CALIFORNIA

AWKWARD problems of farm policy will once more confront the Eisenhower Administration, on December 15th, when the nation's cotton growers vote on a proposal to restrict their plantings in 1954. The cotton farmers are expected to approve the proposed quotas on acreage and marketing, as the wheat growers have already done. If they reject them, the federally-guaranteed minimum price will fall from about 32 cents a pound to almost half that. And then, with this year's crop now estimated to be the largest since 1937, the market price, which for almost a year has approximated the government support price, would be certain to fall farther.

The need to apply controls on production is in itself distasteful to the Republicans, with their belief in less government interference in business. But the cotton situation in the west presents other complications. In California and Arizona, where agriculture is still the major industry, cotton has become the leading cash crop. In the five years between 1947 and 1952, both states almost tripled their cotton acreage. Over half of Arizona's irrigated desert lands and more than a fifth of the acreage in California's fertile interior valleys are planted to cotton. When production must be reduced a conflict of interest arises between the western cotton-growing areas and the traditional Cotton Belt states of the deep south—a conflict with serious political and economic implications.

The immediate issue is how the restricted acreage in 1954 is to be allocated among the various cotton-growing states. Under the existing law, each state's quota is determined by its average cotton acreage in the years 1947, 1948, 1950, 1951 and 1952. But since the western states had substantially smaller acreages in the early years of the base period than they now have, their share of the 1954 acreage would be reduced much more drastically than that of the long-established cotton states, where cotton plantings have been more stable. Under the present law, cotton acreage as a whole must be cut by 27 per cent to bring demand and supply into balance in 1954. But Arizona would lose 55 per cent of its present acres and California would lose 52 per cent, compared with a 24 per cent reduction in Texas, the leading cotton state.

It is generally agreed that any of these reductions—in the south as well as in the west—would be too harsh to absorb in a single year. Last June, therefore, the House of Representatives voted to increase the total acreage to be permitted for cotton in 1954, so that the cut, over the country as a whole, need amount to only 13 per cent. But although the House acceded to western demands and stipulated that no state should be required to give up more than 27 per cent of its cotton acres, no such agreement could be reached in the Senate.



West includes: California, Arizona and New Mexico. South-east includes: Virginia, North Carolina, South Carolina, Georgia, Florida and Alabama. Delta includes: Missouri, Arkansas, Tennessee, Mississippi, and Louisiana. South-west includes: Texas and Oklahoma.

Repeated attempts to reach a compromise between the west and the south have been made since Congress adjourned and have failed. Late in November, farm leaders in California and Arizona angrily rejected a final proposal advanced by Senator Anderson of New Mexico and Senator Eastland of Mississippi, cotton state members of the Senate Agriculture Committee.

It is suggested that Senator Anderson, a Democrat and a former Secretary of Agriculture, did not promote the interests of all the western cotton states as impartially as he might have. The Anderson-Eastland compromise reduced the prospective cuts in western Texas and New Mexico (both cotton areas similar to Arizona and California) to 8 per cent and 29 per cent, respectively. But Arizona and California, the only cotton states with Republican Governors and Senators, were left with reductions of 43 per cent and 35 per cent. And they are states in which cotton is extremely important to the economy and in which economic distress might be exploited by the Democrats.

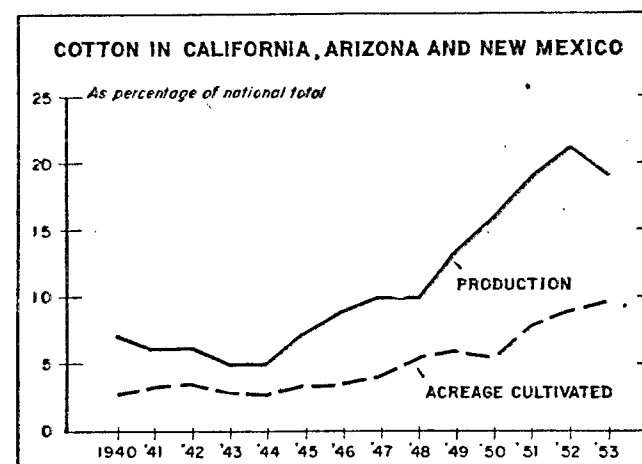
A similar deadlock between the west and the south was easily broken in 1950, when the two areas agreed on an equitable formula for distributing restricted cotton acreage. Now, although less than 1 per cent of the national cotton acreage is in dispute, neither side will make further concessions. The reason, it is said, is that in 1950 the Democratic Senators from southern cotton states, as part of the majority party, were firmly in control of national farm policy. Now that the Republicans are in power, and may propose basic changes in the farm programme at the next session of Congress, the south is determined to demonstrate its strength by winning the cotton-allocation dispute. And western Republicans are equally determined to maintain their newly won control, even if it comes to a showdown inside the Administration and in Congress.

In addition to the purely partisan aspects of the dispute, some important issues of agricultural economics are

involved. The western cotton growers assert that discrimination against them in the matter of cotton acreages is indirectly an attack on efficiency, since the distinguishing feature of western cotton growing is its productivity. Yields in California and Arizona are twice the national average: 606 pounds an acre against 315 pounds nationally.

It is such productivity that led the west to go into cotton so heavily after the war, when cotton prices were high, and to stay in cotton this year, although the price had fallen to the level of the federal supports. And the seriousness of the cotton cutback in the west is due to the fact that no other crop to which the farmers might turn their lands can equal the income and profit that cotton brings, even at minimum support prices. It is estimated that California would lose perhaps \$150 million in cotton income if the proposed restrictions are not modified—and perhaps more, from other crops, if increased plantings of alfalfa, grains and sugar beets on the diverted acres were to add to the already excessive supplies of those crops.

It may be wondered why the western cotton growers should not vote against the quotas on December 15th, relying on their superior efficiency to maintain their profits in an entirely unsupported market. For one thing, they would be outvoted. The programme will apply to the entire nation if two-thirds of all cotton growers approve it, so the west could not defeat the quotas even if it wished to. Moreover, the west, despite its productivity, is even more dependent upon federal price supports than is the south, and therefore can hardly reject the acreage restrictions which are a condition of guaranteed prices.



The efficient western cotton producer has high costs. His extra productivity depends on extensive acreages (10,000 acre ranches are common in California), but also on costly irrigation and pumping systems, copious use of fertiliser and insecticides, and a high degree of mechanisation. Most cotton seeding, fertilising and spraying is done from the air, and 75 per cent of the crop is picked by huge mechanical harvesters.

The demand of the west for a farm programme that will encourage efficiency, through large economic units and mechanisation, brings the retort from the south that such a programme would involve greater federal support—and control—of agriculture. So far the Administration has avoided taking sides. But Mr Benson, the Secretary of Agriculture, will be under heavy pressure to do so when he submits to Congress, in January, his proposals for increasing the cotton quotas.

American Notes

Segregation Back in Court

THE Supreme Court is once more face to face with the explosive issue of racial segregation in the schools of seventeen states—states in which more than 10 million of the country's 15 million Negroes live. Five cases have been brought, in all, against the states of Virginia, South Carolina, Kansas, Delaware, and the District of Columbia in the hope that the colour bar, which has gradually been worn away in the universities and professional schools by the Court's insistence that Negro education must be the equal of white, may be overturned outright throughout the educational process.

The Court postponed a decision last June to secure the views of both sides, and of the Attorney General, as a friend of the court, on questions on which it sought further guidance: whether, when the Fourteenth Amendment was passed in 1868 to safeguard the rights of Negroes in the defeated southern states, either Congress or the states understood it to allow segregation in the schools; whether the Supreme Court has the authority to order what amounts to a social revolution; and finally, if segregation is to be outlawed, how quickly the explosive change should be required to take place.

The views of Mr John W. Davis, the distinguished counsel for South Carolina, and of Mr Thurgood Marshall, the leading counsel for the National Association for the Advancement of Coloured People, were not hard to predict. More interest has been aroused by the Administration's ranging itself on the side of those who contend that, whatever Congress may have had in mind nearly a hundred years ago, the Fourteenth Amendment, with its insistence that no state "shall abridge the privileges of citizens of the

United States" or "deny to any person the equal protection of the laws," must be interpreted as part of the living and evolving Constitution and therefore as prohibiting discrimination in the schools. The traditions of the Republican party, as well as the dangers involved in alienating northern Negroes and liberals made any other decision impossible, even though Republican hopes of consolidating President Eisenhower's inroads in the South are now gone with the wind.

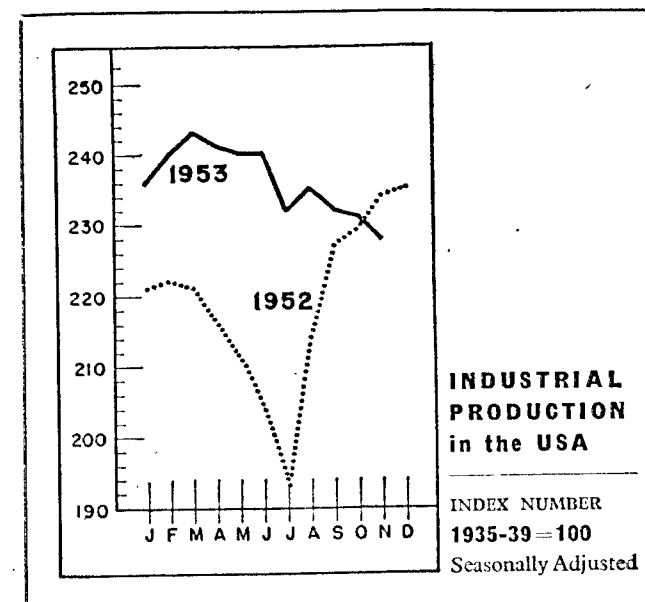
The brief of the Department of Justice went on to suggest that, if segregation were outlawed, the transition to a single school system might take place within a year. Kansas has already given up its dual schools in Topeka, and the District of Columbia, where segregation has been practiced under the eye and the authority of Congress since 1864, is ready to co-operate provided that it is given reasonable time and adequate funds to train its teachers for their new problems. Virginia, however, contemplates shutting its schools for a year, and further south more intransigent states are preparing to transfer their funds to private institutions which can continue to put up a colour bar.

New York Behind the Times

ON Wednesday the reappearance of New York's seven daily newspapers brought the city back to an era from which it had been cut off for eleven days by a strike of the 400 photo-engravers who prepare the illustrations. The people who normally read 5½ million papers a day—only London has a bigger press circulation than New York—had to rely on such specialist publications as the *Wall Street Journal* and such news as could be snatched from the air waves. Business men, looking under-dressed without the protection of a paper, were even seen reading books on their morning journeys.

Suburban newspapers, of course, sold well (and their advertising revenues also profited from the strike). So did such out-of-town newspapers as were available, but their owners, in order not to embarrass their New York colleagues, seem to have refrained from flooding the city with their publications. To visitors from abroad who have been repelled by the size of American newspapers, it is surprising to hear that when the *Herald Tribune*, in an attempt to serve the public, printed 2½ million copies of a special eight-page issue, without advertisements, instead of its normal 360,000 copies of ten times as many pages, a large proportion went unsold because the paper was thought to be too light to be worth buying. Radio and television stations did their best to fill the gap, by greatly extending both their news bulletins and the time available for advertising. But this was not enough to prevent a substantial falling-off in retail trade at a time when Christmas sales should have been rising to their peak. The New York shopper does not like to buy until she has compared the printed offers of competing stores.

This loss of trade may be made up now that advertisements are appearing again in more than full force. But permanent loss has certainly been suffered by the newspaper proprietors; they estimate that the additional \$3.75 a week being paid to the 400 photo-engravers will eventually cost \$3,750,000 a year, because it will have to be



extended to the 20,000 employees who belong to the eight other newspaper trade unions. Other contracts are coming up for renewal; this explains why a dispute which was in itself of minor importance was nevertheless allowed to assume such major dimensions that the *New York Times* failed to appear for the first time in over 100 years. Members of the other unions refused solidly to cross the photo-engravers' picket lines, because they felt that this was their battle too, and the final settlement was approved by leaders of the other unions before it was accepted. On the publishers' side the *Herald Tribune*, which farms out its photo-engraving and was therefore not involved in the strike, decided after one day to suspend publication in order not to weaken the employers' front. The strike was in the end settled on their terms—the union had begun by asking for a \$15 increase—but a fact-finding board is to report whether the rise of \$3.75 is adequate and neither side is committed to the acceptance of this report.

Propping up the Prop

ONE of prosperity's strongest supports, the amount of new housing started, has been weakening every month since April, and the President's Advisory Housing Committee, which was appointed in September to remodel housing policy to Republican tastes, will be expected to recommend ways of halting the decline. Construction in general has been holding up well this autumn and the official forecast is that, thanks to the demand for new schools, roads, pipelines and other utilities, it will fall next year by only 2 per cent. But the number of new houses started, which account for about a third of all construction, is expected to decline from about 1,100,000 this year to 975,000 or less in 1954. This is a prospect which can hardly be welcomed when industrial production has fallen for the third month in a row and unemployment is showing slight increases.

The conservative cast of the committee, most of whom are bankers, together with the President's instruction to it to find a more economical, as well as a more effective, housing role for the federal government, makes it unlikely that it will recommend putting any more flesh on the bare bones of public housing. Congress grudgingly authorised 20,000 public dwellings at its last session and a similar number may have to be authorised next year, to meet commitments to local authorities. Instead, if the hints from officials and the leaks to newspapers are any guide, the emphasis will be on ways of encouraging local authorities and private enterprise to do the job. Last September Mr Cole, the Housing Administrator, warned the bankers that they must provide money for housing if they wanted the government to stand aside; and today mortgage money is easier to find, although this is due more to the drop in other interest rates than to Mr Cole's threat.

The chief federal instrument in the housing field is the insurance of private mortgages; 40 per cent of a total private housing debt of \$60 billion is federally insured. Among the proposals now being studied for presentation to the White House before Congress meets are lower down-payments and more time (40 instead of 30 years) to repay mortgages (if private lenders can be persuaded to make loans on these terms); the extension of insurance to com-

mercial construction, a higher level of insurance for old houses, and more latitude in the permitted design of new houses. Much more controversy is likely to be aroused by proposals to let tenants in public dwellings buy their houses and to encourage private slum clearance by more generous loans for modernisation. Both of these steps might lessen the need for federal subsidies, but they are already being condemned by Democrats as methods of "burying the remains" of the public housing and slum clearance programmes inherited from the New Dealers.

Natural to Congress

THE Supreme Court, by its unexpected refusal to review a decision of a lower court on natural gas regulation, has given Congress an opportunity, which some of its members will naturally try to take, to make the oil companies as handsome a present during the coming session as it is commonly supposed to have done during the last, when it handed over control of the offshore oil-lands to the states. This time, as a result of the Supreme Court's decision, the representatives of the oil-producing states will want to take away from the Federal Power Commission control over the rates charged by producers of natural gas to the pipeline companies which buy and transmit the gas to consumers. Congress did this once before, in 1950, but President Truman vetoed the Bill, only to have the FPC itself decide that it did not have jurisdiction over gas producers; in its view, their operations did not enter into interstate commerce and were therefore subject only to state, and not to federal, regulation.

The court action, however, now obliges the commission, unless Congress comes to its rescue, to determine whether the rates charged by natural gas producers are reasonable. The Phillips Petroleum Company was the one concerned in the test case, and most of the natural gas involved is produced by a few big companies. But since there are altogether over 2,000 natural gas producers who sell to interstate pipeline companies, the task of establishing principles for judging whether rates are reasonable and then applying them in each case might be almost endless. There have already been complaints about the FPC's delays in allowing increases in the rates charged to consumers by the gas transmission companies. There are 50 or so of these applications now before the commission, all based on rising costs. In particular most of the applicants emphasise the increased prices that they are having to pay to gas producers.

If Congress takes away from the commission the power, which the courts have forced upon it, to rule on whether these prices are reasonable, then the legislators may find it embarrassing when the voters ask why they are having to pay more for the natural gas which is becoming every day more vital as a domestic and industrial fuel and as a raw material for industry. The gas comes from only a few states, of which Texas is by far the most important, but it is now used by some 40 million consumers in a majority of the states. The producers of natural gas, on the other hand, argue that before long these consumers will be without gas, or at least without the additional supplies they want, if the oil companies are not encouraged to risk their money on exploratory wells by higher prices and the certainty of freedom from federal regulation. This, the producers say, cannot justify-

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ably be applied to natural gas until it enters the pipelines of the transmission companies, which are public utilities, with certain exclusive rights for which they pay by accepting certain restrictions.

Chill from Chile

NEW YORK copper traders are shivering in anticipation of the resumption of supplies from Chile; they have long realised that once that happened, as it was bound to do, they could no longer count on the steady warmth of a price of 30 cents a pound, but would have to go through the readjustment that has already made lead and zinc traders so uncomfortable. Last week the Chilean Senate belatedly recognised that it was unrealistic to insist on a price of 36½ cents a pound for the country's copper and authorised the American-owned companies, which are responsible for 90 per cent of Chilean output, to sell their current production at competitive prices. The strike against the Anaconda company, which had cut output by two-thirds, had just been settled; this perhaps explains why the Chilean Senate dared delay no longer.

Most of this Chilean copper—about 30,000 tons a month—will presumably go to the United States, which has been getting along very satisfactorily without it, with the help of imports from other countries, especially from Northern Rhodesia under a long-term contract. The depressing effect of the Chilean supply on prices will be accentuated by the fact that the Chilean Senate also approved the sale of the stocks, 120,000 tons or more, that have piled up as a result of the old inflexible policy. These are, however, not to be dumped, but to be sold at 30 cents a pound, the price the US government was understood to have offered when negotiations were going on for the purchase of this copper for the strategic reserve.

Those negotiations were broken off last month, but the Chilean Senate now seems to have accepted the American conditions. It has stipulated that the copper must not be sold to countries behind the Iron Curtain; the threat that this would be done has repeatedly been hung over American heads by Chileans when negotiations were going badly. More important, the Senate has agreed that the American-owned copper firms in Chile should be taxed differently and that they should be given more satisfactory currency exchange rates. The American negotiators have been demanding that the companies should be taxed not on the amount of copper they mine, but on their profits, and that, like Chilean firms, they should be allowed the rate of 110 pesos to the dollar instead of 19.37 as at present. If the Chilean capitulation turns out to be complete, then it should not be long before the surplus that is casting a chill over the copper market disappears into the American stockpile.

Small Business Helps Itself

MR WILLIAM MITCHELL, who, as head of the Small Business Administration, inherited the lending functions of the Reconstruction Finance Corporation, took to heart the conservative complaints about that

agency: that it made "political" loans, that it was too lavish with government money, that it competed unnecessarily with private banks and undermined local initiative. Congress, full of virtue, had allotted only \$55 million for the needs of small business. Mr Mitchell announced that preference in making loans would be given to defence manufacturers: "petrol station operators and grocers need not apply." Direct loans were to be subordinated to the encouragement of local credit pools and participation in loans by banks. The chief function of SBA, in his view, was to supply management with advice, for small business needed "know-how" more than cash. The interest rate on loans, after some backing and filling, was fixed at 6 per cent, 1 per cent more than the RFC had charged.

Suddenly, several weeks ago, without any warning, Mr Mitchell resigned for "personal reasons" which seem to have become pressing only after a midnight telephone call to the President from Senator Thye, chairman of the Senate Small Business Committee. His going has made a wonderful change at SBA. All firms, it is announced, will have their claims for loans considered on an equal footing whether they are manufacturers or retailers, in defence work or not. The earliest beneficiaries may include farm implement dealers whose plight, as farm income fell, was worrying the White House even before Mr Mitchell resigned. Mr Barnes, his temporary successor, is "de-emphasising" private credit pools and talks boldly of asking Congress for more money when his \$55 million runs out. The investigation of the agency's "ultra-conservative" lending policy which was once promised by the Senate Small Business Committee may be postponed. In office, it seems, the Republicans, whatever their private beliefs, are no more able than the Democrats to turn a deaf ear to the small businessmen, whose political skill and influence are anything but trifling.

SHORTER NOTES

After many months the President's Council of Economic Advisers is at last complete, with the appointment of a third member, Professor Walter W. Stewart, an economics professor, once of the Institute of Advanced Study at Princeton University and before that Adviser to the Bank of England.

★

Mr Wicks, the acting Lieutenant-Governor of New York and majority leader of the State Senate, resigned the offices which Governor Dewey declared him unfit to fill after it was discovered that he had paid repeated visits in jail to a trade union racketeer convicted of extortion. But the Governor's victory in this party house-cleaning was not complete, for the Republican Senators refused to vote to oust their old colleague, if he promised to go quietly, and in his place they elected Senator Mahoney, known for his independence of Mr Dewey.

★

The Federal Reserve Board this week dropped its charges of monopolistic practices against the Trans-America Corporation, the huge west coast banking concern, after the Supreme Court had refused to review the decision on this case of a lower court which went against the board.

The World Overseas

Conflicts at Luxembourg

AT a first glance it seems that the new coal-steel Community is causing more headaches than it is curing. This is probably the inevitable result of aiming, as the Community does, at imposing unpopular, unfamiliar and sometimes painful changes for the sake of benefits which may not become obvious for years.

But for those who demand quick results, officials at Luxembourg can already point to at least one decisive and positive achievement since they opened the common market for coal last February and for steel in May. All tariffs and quota restrictions on the coal-steel trade between the six members have now effectively disappeared, and so have the most flagrant cases of discrimination in transport charges. Following these steps—and presumably as a consequence of them—the exchange of coal between the six has shown a substantial increase; in the first ten months of this year the members exported to each other nearly 20 per cent more than in the comparable period of 1952, and the rise is continuing steadily. During the same period French exports of iron ore to Belgium have gone up by 30 per cent.

The common market for steel, on the other hand, has so far failed to produce any notable increase in trade between the members, and moreover, it is now plain that the new market is far from being the competitive arena that its founders intended. Price policy is the core of the problem. Unlike coal prices, for which the High Authority fixed maximum limits, steel prices were set free and sellers were called upon to publish price lists in order that every consumer should be able to look around, on equal terms with his competitors, and buy from the cheapest source. The High Authority intended, too, that sellers should constantly adjust their prices—mostly downwards, it was hoped—and make corresponding alterations in their published lists.

Two things happened to upset these expectations. In the first place it was soon discovered that the price list system was highly inflexible, since there was no way for producers to alter prices frequently and to transmit the information rapidly throughout the Community. To remedy this defect the High Authority has now proposed that steel firms be allowed, in any individual transaction, to deviate within a margin of 5 per cent above or below their officially listed prices. However, if at the end of two months the steel producer finds that the general average of his total sales differs from his published prices by more than 4 per cent in either direction, then he must modify his price

list. The Consultative Committee will consider this proposal at its next meeting on December 14th.

A second and closely related discovery was that, under the impact of the softening market on the Continent, steel firms have been giving price reductions, but only to certain favoured customers and not to the public at large; their published prices have remained unaltered and these are the prices usually offered to those users, such as government agencies, who are in a weak bargaining position. This practice of discrimination has made nonsense of the Treaty's principles and of the Community's whole price policy. Under the Treaty producers are permitted to deviate from list prices only in clearly defined circumstances—they may charge a customer the prices prevailing at any other basing point in the Community, provided that this means lowering and not raising their own prices. In such cases the producer bears some of the delivery charges involved in going after distant business.

In order to curb the violations of its price policy, the High Authority recently announced that it would conduct "spot checks" designed to catch offenders red-handed and thus provide evidence for legal action. For the first offence it can impose a fine of up to twice the value of the "irregular" sales and for subsequent violations the fine can be up to four times this value. The threat has outraged steel producers in the Community, who argue that the essence of a free market is that they should be allowed to do as they please and that what they please to do at the moment is to soak weakly placed buyers for the benefit of their more strongly situated rivals. They are bitterly attacking the High Authority as a "supra-national police force." Their outcry underlines the intrinsic problem of the Community—to convince its producers that a system of "controlled competition" is preferable either to monopolistic cartels or full State control on the one hand, or to cut-throat competition on the other. But until the Community does settle on a loyally accepted body of rules, the countries at present outside its ranks will not be eager for membership. Possibly it is because of this unsatisfactory state of affairs that M. Monnet has month after month delayed presenting his formal proposals for Britain's closer association with the Community. The latest word is that they cannot be expected before the New Year.

Another task that the High Authority has just begun to tackle is the question of cartels. Until the domestic cartels are dissolved or compelled to abandon their restrictive and discriminatory practices, the common market will remain

anything but free. In the public mind the most prominent of these combinations are those based in the Ruhr, but in fact equally restrictive cartels are scattered by the dozen throughout the Community. The High Authority is now arming itself with detailed information about the workings of these organisations so as to be in a position to move simultaneously against all of them.

So far the High Authority's most conspicuous overt move against monopoly has been directed at the steel export cartel, formed privately last spring in Brussels by the Community's steel producers. While the Treaty gives unequivocal and substantial powers to the Authority to deal with domestic cartels it says nothing at all about export cartels. Recently the activities of the Brussels group have attracted American criticism. Partly in response to this stimulus, the High Authority ordered the cartel to disband and suggested to the Consultative Committee that the Authority itself might fix minimum export prices. The Consultative Committee voted overwhelmingly against the proposal—a position that the High Authority will probably ignore, since the Committee has no right of veto on this issue and since no other provision of the Treaty gives the Authority such clear powers to control the cartel's activities.

Another storm is brewing within the Community over investment—a question that perhaps in the long run will prove most important of all. The High Authority has no power to prevent anyone from investing his own money where he wishes. Its job, as the Treaty defines it, is to provide the missing component for deserving investment schemes—either by investing some of its own funds directly or by using them as a guarantee for obtaining loans from outside sources. It also has the power to give an opinion on investment programmes, and any recommendations it may make are strengthened by the knowledge that any American investments will be funnelled through the High Authority. Indeed, the lure of American capital may provide the cement that, in these early days, will bind producers to the Community.

A Loan from America?

Inevitably, the producers of each country have begun to convince themselves that their needs and merits will be neglected when the largesse comes to be distributed. To date the Authority has gone no further than to suggest broad production targets for the Community as a whole—50 million tons of steel and 285 million tons of coal by the end of 1957. But it is known that the High Authority would like to devote the bulk of any funds at its disposal to the coal and iron ore mines, the object being to raise productivity and lower costs so that the Community's raw materials can compete with comparable imports and also with other fuels. It is on the basis of this general programme that the High Authority will open negotiations, probably next month, for a loan from the United States.

By and large, the Council of Ministers has already approved this broad statement of principle. But when the Authority begins to single out specific candidates for help, it will be compelled for the first time in the history of the pool to favour some members at the expense of others and it will have to reach its decisions on a plane of reasoning that treats the Community as a fully integrated whole. When this happens, member governments will be brought face to face with a fundamental issue. Can the Community succeed without the creation of a European Political

Authority with an overriding responsibility for executing a common financial and economic policy? How can there be agreement on a genuine common market for steel and coal while one country has an over-valued currency, another pursues deflation and still a third fails to make adequate provision for new investment? These are questions that M. Monnet recently put to his Council of Ministers. The Ministers have not yet replied.

Canadian Tories—I

FROM OUR OTTAWA CORRESPONDENT

THE twenty-second Parliament of Canada, which recently started its first session in Ottawa, looks very much the same as the twenty-first which was dissolved last summer. Some seventy individual members have changed; the opposition parties have gained a few seats here and there. Four women, more than in any previous Canadian House of Commons, have been elected. Apart from these individual changes and a new Speaker, a casual observer would find the present Parliament indistinguishable from the last. The Liberals still fill all the seats on the Speaker's right, and overflow about halfway down the rows on his left. They have 173 members out of the new House of 265. The Conservatives have 50; the Co-operative Commonwealth Federation has 25. The latter, a theoretically socialist party, made gains in the August general election, but they came from the rural wheat-growing province of Saskatchewan rather than from the labour constituencies. The attempt to combine an agrarian with a labour movement is still, therefore, a relative success among western farmers but, in general, a failure among trade unionists. In the bottom corner on the left sit, finally, 13 Social Crediters (so-called) and a few independents. Social Credit retained its firm hold on Alberta, the province of its birth, but it did not make good its threat to sweep British Columbia too.

The hopes of an effective opposition and the chance of developing an alternative government still centre in the Conservative party. But it is a chastened and puzzled group. Under its present leader, Mr George Drew, it has fought two general elections in 1949 and 1953. In 1949 it gained only 41 seats. It increased them through by-elections to 47, and the run of by-election successes led to higher hopes for the general election of last August. The result, only 50 seats, was a disappointment not only to Conservatives but to many other Canadians who have been lamenting the absence of a strong Opposition.

According to their past record it is time for the Conservatives to try a new leader; this has been their usual reaction to defeat. But fortunately there seems little present inclination to change Mr Drew. When he took over in 1948, after being Premier of Ontario, the Conservatives were shouting for a "fighting leader." Mr Drew responded by conducting an aggressive, indeed a truculent, campaign which almost certainly rebounded against him. This time he was much quieter. Although the public reaction was not expressed in the return of many more Conservative members, it was markedly less hostile than four years previously. Mr Drew and his followers at least seemed to be making more friends than enemies, which was more than could be said of the 1949 campaign.

In particular—and it was largely Mr Drew's own small triumph—they made a somewhat better impression on the voters of French-speaking Quebec. Mr Drew had found time during the busy weeks of the last Parliament to improve his French enough not only to read speeches in that language but to answer questions and converse in it. He won only four seats out of the 75 in the province, but he did achieve a marked increase in the popular vote.

An old-time candidate of many years ago is supposed to have been rebuked by his friends for making his promises quite so high, wide and handsome. His answer was: "Oh, it's an awful mean man that won't give a promise." By this criterion the Prime Minister, Mr St. Laurent and his party were "awful mean." He has come back to power bound by no election promises whatever except to "continue to do his best for Canada." The Conservatives were in no way mean. They promised, first and chiefly, to reduce taxes by \$500 million, or one-eighth of the federal budget. They were right in supposing that that was something everyone would like; but they were wrong in supposing that the public would believe they could do it, specially since they also offered a variety of other things which were bound to cost money.

A Benevolent Uncle But No Tip

The overwhelming success of the Liberal policy of making no promises seems to emphasise the vital importance of personalities in winning or losing Canadian elections. Mr St. Laurent, a corporation lawyer with no political experience until after the age of 60, has turned out to be a vote-winner of almost uncanny charm. All he had to do was to tour the country and talk to people, in the manner of a benevolent uncle, about the greatness of being a Canadian. No one ever thought to ask him for the tip which benevolent uncles are supposed to dispense. Following this lead with whatever gifts nature had provided, the Liberals managed to present an impression of calm and confident commonsense. It was a veneer of sweet reasonableness which looked as though it could not stand up to a good battering from opponents. But the more the Conservatives battered, the better the Liberal veneer looked. There was more than a hint in Canada's last election campaign of the 19th Century aristocrat turning his condescending gaze on the shouting and vulgar proletariat. Since Mr Drew himself and many of the more prominent Conservatives are accustomed to be on the aristocratic side of the fence, they must have been particularly galled by the Liberals' calm and successful assumption of superiority.

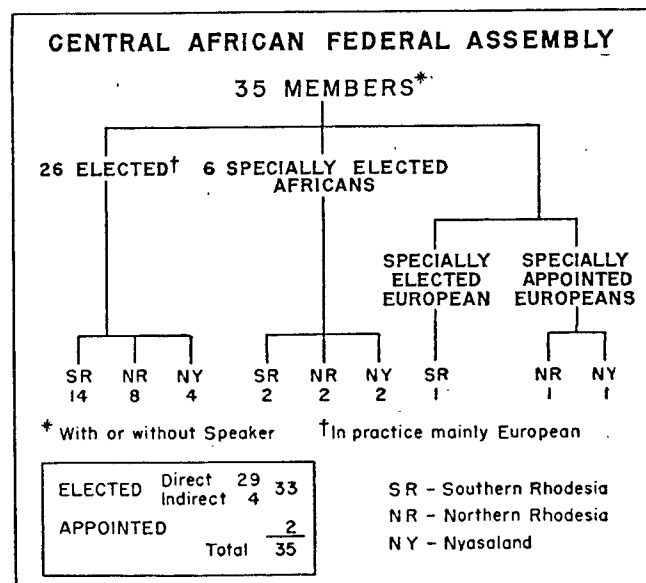
The Liberals have carried the day now ever since 1935, and with the exception of the period 1930-5 and a few weeks in 1926, they have been in power since the first world war. It is so long a run of success that people ask when, if ever, and by what means they may be assailed. In the early years after the second world war there were fears that the CCF might emerge as the second major party, and that the "old-line" Conservatives and Liberals might be driven into coalition or union. Subsequent events make this development seem less probable. But still the Conservative party fails to present the alternative government that most Canadians want to see. People are beginning to ask if this is going to be a permanent state of affairs. In a subsequent article reasons will be suggested why this need not be so.

(To be concluded)

Central Africa at the Polls

WHEN about 67,000 electors in the new Central African Federation go to the polling stations next week they will need to have their wits about them if they are not to be confused by the intricate electoral procedure. Whatever may be the other merits of this constitution of ingenious checks and balances, it has certainly made the job of choosing the 33 elected members of the federal assembly unnecessarily complicated. But future elections should be more straightforward, as the federal parliament has power to make a uniform electoral law. The total assembly consists of 35 members, but as two are nominated to represent African interests, one each by the governors of Northern Rhodesia and Nyasaland, only 33 seats are at stake. Of these, 26 are directly elected by common-roll franchise in the three territories; six are for Africans elected by special procedure; and one is for a European specially elected in Southern Rhodesia to watch over African interests.

In Southern Rhodesia each voter on a common roll which numbers something over 50,000, including about 1,500 Asiatics, Coloured and Africans, will have three votes to cast. A vote on a white form will go to the ordinary constituency candidates; there are 29 contestants, all Europeans, fighting 14 seats. Each elector can also vote on a red form for one out of the four candidates standing for election as the European member representing African interests.



And each voter will have a third vote, on a blue form, for one of the four Africans contesting the two constituency seats. As if this were not a surfeit of vote-making the unfortunate Southern Rhodesians must face the territorial election six weeks later on January 27th.

Northern Rhodesia has, for the purpose of the federal election, been carved into eight constituencies, and here 18 candidates are in the field. In addition two Africans will be elected by indirect means through the Northern Rhodesia African Representative Council. Northern Rhodesia also has a territorial election in sight, in the middle of February.

Nyasaland, with its common roll containing only 1,508 names, including 75 Asiatics and few, if any, Africans, has not been divided into constituencies for its first plunge

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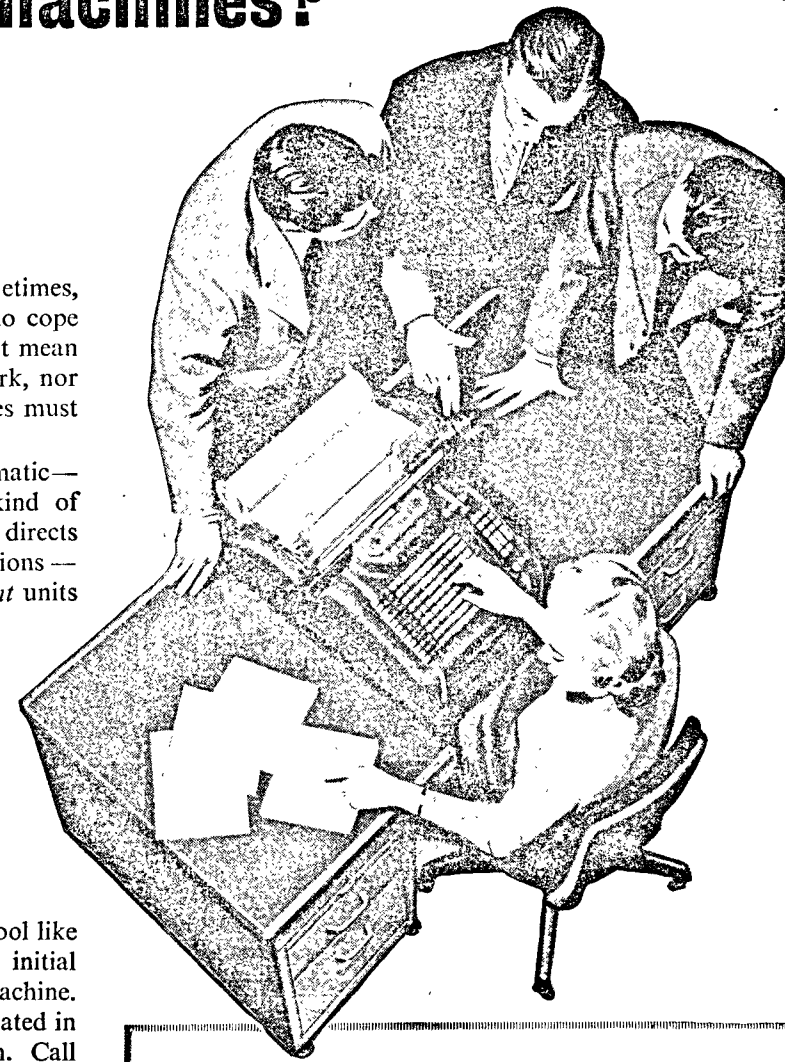
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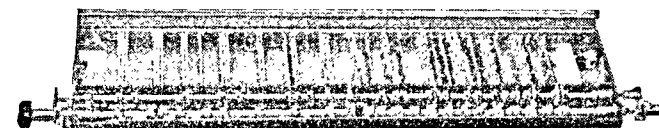
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into democracy. Each elector will have four votes which he must use singly to elect four members from the seven candidates, five Europeans and two Asians, who are standing. As in Northern Rhodesia, two Africans will be elected through an electoral college consisting of the district and provincial African representative councils. There was no shortage of candidates, despite the earlier hesitations, and no less than 13 people have offered themselves for election.

Many people will be disappointed no doubt that the European element predominates both among the candidates and on the common roll, where, indeed, the ratio is about 33 to 1. But these are early days, and even at the present election it is fair to say that no deliberate attempt was made to keep non-Europeans off the roll. The main reasons for the small numbers are apathy, unfamiliarity and lack of organisation. Another controversial question is the election in Southern Rhodesia of African members on a predominantly European vote. But in the circumstances to do otherwise is to grant the case for a separate roll, which most liberal-minded people firmly reject. And, furthermore, it is a novel and, indeed, educative development for white people to cast a vote for the election to parliament of a black representative.

No Truce on Colour Problem

As the campaign has developed it has become increasingly clear that the fight would be between Sir Godfrey Huggins's Federal party and the Confederate party. By nomination day all the other minor parties had withdrawn, leaving straight fights in all but two of the constituency seats, where independents chose to enter. In Nyasaland, four candidates support the Federal party and one the Confederates; the two Asians are nominally independent. The Federal party, which upholds the principle of partnership and the common roll, has the advantage of having the big names, Sir Godfrey Huggins, Sir Roy Welensky and Sir Malcolm Barrow; but at times it has appeared to be equivocal about its native policy. On the other hand, the Confederates, led by Mr J. R. Dendy Young, has a positive policy towards colour which sounds very sweet to the white settler's ear. An appeal to both parties to call a truce on racial questions was turned aside, and as the campaign has warmed up it has become increasingly bitter and personal.

With so little from past experience to go on it is almost impossible to forecast the outcome. In some places the Confederates are known to have gained ground, and it is generally expected that they will command a strong vote

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on the Copper Belt in Northern Rhodesia, where the Afrikaner influence has been growing. The two seats in this area and the Sebakwe constituency of Southern Rhodesia, where Mr Dendy Young faces Mr J. L. Smit of the Federal party, are thought to be the key centres. But with the almost certain assurance of four Nyasaland seats, plus the passive if not active co-operation of the African members and the three Europeans representing African interests, Sir Godfrey could afford to lose a dozen seats, and still command a majority in this small House.

Nationalisation In China

FROM A CORRESPONDENT IN HONGKONG

THERE was no doubt some pretty straight talking in committee and behind the scenes at the National Congress of the All-China Federation of Industry and Commerce, which was "victoriously concluded" after a session lasting three full weeks. It may be assumed that there was more criticism than self-criticism when the vice-chairmen and vice-premiers had said their allotted piece and withdrawn. It is quite possible that some of the more daring contrasted the anarchy and chaos of an inexperienced state industry and commerce with the superior results and infinitely better management of the private entrepreneurs. But about such things the official press and news agencies are generally silent. They criticise others and themselves, but they do not allow the barbed arrows of the contemned bourgeoisie to penetrate outside the four walls.

The entrepreneurs got their orders, all laid down in detail by the Party leaders. There was a general acceptance of the relative inevitability of gradualness, but the five Party apostles, of whom Li Wei-han (Vice-chairman of Financial and Economic Affairs) was the chief, told the manufacturers and merchants that they must now prepare to pass into the second stage, that of state capitalism. The general line in this transitional period on the path to Socialism is the steady development of the Socialist elements in the national economy, the gradual reform of the non-Socialist elements, and the gradual Socialist industrialisation of the country, "on the basis of which a great Socialist China will be established."

The policy of the People's Government towards private industry and commerce, said Li Wei-han, is to put it to good use, to keep it within proper bounds, and to transform it. As there are nearly four million workers and shop assistants in private employment, private enterprise is an important element in the national economy. It could supply products to the state, promote trade, accumulate capital and train technical and management personnel for the state. But it must be re-formed and develop into state capitalism. Under this, enterprises must function in accordance with the demands of the state. Their profits are divided "on a reasonable basis," part going to the state in taxes, part being earmarked as funds for workers' welfare and future expansion, and part in payment of dividends. State capitalism is varied in form and new forms will yet emerge. Often the state steps in and takes over half the enterprise on its own terms, which are often tantamount to confiscation.

Actually this is the halfway stage to complete nationalisation and state ownership. The chief form of these transitional enterprises is called in Communist jargon the "jointly operated public-private" businesses. In Shanghai alone

there are now scores of large factories in this category—iron and steel, machine-making, chemical, electric power, textile, cigarette and pharmaceutical industries. They are in effect state-owned and they work for the state under centralised plans. On the whole they have done pretty well, perhaps better than any of the fully state-owned industries, which have suffered badly from bureaucracy and have returned results which shattered the government's expectations of large profits for national construction. Most of them have been forced to "overcome their conservative tendencies" and to do precisely what the government directs them to do.

The emphasis on gradualism in all things was accompanied by strictures against the functioning of state trading organisations internally. There was, in fact, over a large part of the year so unprecedented a breakdown that in many of the larger centres the available supplies, even of essential commodities, fell to a mere fraction of the need and normal volume. The people often had to go without such necessities as sugar, kerosene, paper, hosiery, soap and towels, and cooking oil. This was due, not so much to a real shortage, as to the appalling inefficiency of the inexperienced cadres posted to these new state bodies. The officials themselves preferred to attribute it to defective interpretation of the economic accounting system, which has figured largely in the abracadabra of Communist verbiage during the past year.

The new trading bureaucracy also disliked the handling of all these petty things; they preferred to deal only with major commodities. In one large city the supply centre has an inventory of over 1,400 articles, of which less than half were available in the state shops. In another town the municipal shops' volume of business dropped by two-thirds. These are presumably typical, and it is admitted that the poor service of the state General Goods Shops, together with the "slackening leadership" over the markets, led to unfavourable reactions from the masses. Co-operatives and private stores were unwilling to buy from the state shops because of the limited range of their supplies, and "profiteers" stepped in. In some cases local industries had to open their own retailing departments to sell their products, "thus causing confusion in certain commodity prices." In other instances the state commercial enterprises neglected processing or purchasing, thus plunging local and private industries into trouble.

Brazilian Pride and Petroleum

FROM A CORRESPONDENT LATELY IN BRAZIL

IN October President Vargas signed the law establishing *Petróleo Brasileiro S.A.—Petrobrás*—as a monopoly to prospect, exploit, refine and transport Brazilian oil. While providing, hopefully, for the participation of private Brazilian capital, the new measure prohibits all foreigners from owning shares in the monopoly. Here one sees the contradiction in Brazil, as elsewhere in Latin America, between on the one hand the growing need for foreign capital and technique, and on the other the deliberate selection of policies designed to baffle the foreign investor.

Brazil's present balance of payments difficulties derive mainly, it is true, from deliberate overvaluation of the cruzeiro in the recent past and from over-buying abroad. But petroleum provides a unique and crucial problem. Brazil's average imports of petroleum products in the two prewar years were 1.23 million tons; in 1952 it imported 6.11 million tons. In each year since the war, it has used

about one fifth more petroleum than in the previous year; at the present rate of growth—arising out of the continuous penetration of Brazil's vast area by road and air transport—the import of petroleum would cost, in 1960, as much as Brazilian coffee now earns in world markets, or some 60 per cent of the country's total export earnings.

Apart from its need for foreign exchange as such, Brazil is faced with the task of diverting money and resources over the next few years to meet a public investment programme estimated at about £500 million, of which a fifth would be devoted to petroleum development. The chief reason for the current inflation has been Brazil's inability, by any other means, to secure the application of resources to productive investment in competition with sumptuary expenditure and the contagious American way of life. That this harmful situation is likely to continue provides a strong argument for allowing private capital, at a price and on certain conditions, to shoulder that part of the burden which it is anxious to bear. But no attempt was made to discuss such conditions with foreign capital.

Colonel Bramble in Rio

Some sections of public opinion are aware of the dilemma and the danger; the National Economic Council, a consultative body, called attention in its report for 1952 to "the enormous damage that lack of foreign capital has caused the country." Senator Assis Chateaubriand has also lost no opportunity of plugging this theme in his chain of newspapers. Nevertheless the Chamber finally rejected two Senate amendments designed to allow prospecting to be done under contract, and removing the ban on the expansion of private refining capacity. It is hard in this matter, as in others, to gauge the personal view of President Vargas, whose silences are as legendary as those of Colonel Bramble. But on sending the first draft of the petroleum law to Congress in December, 1951, he had explained that

The Brazilian Government and people desire the co-operation of foreign enterprise in the development of their country, but prefer to reserve the petroleum sector to national enterprise; it is well known that the tendency of this industry to international monopoly is such as to cause friction between peoples and between governments. True, therefore, to the nationalistic spirit of existing petroleum legislation, this enterprise will be genuinely Brazilian, with Brazilian capital and administration.

It is doubtless true that stakes, risks and feelings are all higher in the case of mining generally than in that of other foreign investment, and highest of all in that of oil. Perhaps the real essence of Latin American emotion in this matter is to be found not in any economic text, but in D. H. Lawrence's picture of "The Greedy Ones" in his fourth hymn to Quetzalcoatl. The very term "extractive industry" connotes the removal from the earth of a resource that can never be restored, and from which wealth will be created in distant lands for the benefit of the foreigner. And a dark folklore surrounds the activities of oil companies; they are deemed to have promoted revolution and counter-revolution in Mexico and the war between Bolivia and Paraguay. In Brazil they are accused of buying politicians, restricting the sale of modern equipment to the National Petroleum Council, and of suborning foreign technicians who knew the location of Brazilian deposits.

And here is a final reason why the public and the politicians have proved so stubborn; it is popularly believed that oil will be easy enough to find, or even that it has

already been found in quantity. When people read that a third or more of Brazilian territory consists of sedimentary formations of the kind in which oil has been found in other Latin American countries, they conclude that small effort will achieve the same result in Brazil; the hazards of oil exploration are not understood, nor the extent of the resources which the companies deploy, and sometimes lose, in their search.

Democracy is without doubt at that stage of sophistication in Brazil at which public opinion is entitled to be a determinant of national policy. Yet it is hard not to feel that, in striking their balance, Brazilians have on the one hand somewhat overdrawn the sinister power of oil companies in the postwar world, and on the other failed to give due weight both to the crucial importance of petroleum in their national economy and to the size of the total investment burden of which they have refused to share a significant part. In their legitimate desire to protect their national pride, they will have paid a higher price, in the slowing-up of their development, than most of them appreciate. Meanwhile the Brazilians, who are rightly renowned for their sense of humour, have recently signed an agreement with Bolivia for the joint exploitation, with Brazilian capital, of Bolivian oil in the Amazon basin.

The Danube-Black Sea Canal

BY A CORRESPONDENT

ACCORDING to recent reports from Rumania, all work on the Danube-Black Sea Canal has ceased. The canal, which used to be referred to as "one of the finest undertakings of the century" and "this gigantic peace construction," was begun at the end of 1949 and was supposed to be completed in 1955. But since early last summer there has been no mention of it in the Rumanian press. It has been ignored in the last two issues of the official quarterly statistical report. And in Premier Gheorghiu-Dej's Liberation Day speech, in which in other years the canal held pride of place, it was not even mentioned; there was merely a vague reference to "other works" where the "curtailing of budgetary allocations" would be necessary. Only the Deputy Foreign Minister, Grigore Preoteasa, broke this conspiracy of silence when he declared to foreign correspondents assembled in Bucharest last August for the Festival of Youth that "whether or not work on the canal is continued is not the essential problem. It is the government's policy to concentrate on raising the standard of living." Without much doubt this cryptic statement represented the canal's funeral oration.

Originally it was intended that the canal project should not only shorten to one-fifth the distance between the Danube town of Cernavoda and the Black Sea; among other things, it was also planned to "return immense surfaces of land to agriculture" by draining large tracts of moorland; "to bring into full cultivation some hundred thousand hectares of land" through an irrigation system depending on the canal; and to make "possible the industrialisation of the Dobrudja," in order to bring about a rapid rise in the standard of living of the working population. How could such an ambitious project, involving so much capital investment, material, machinery and manpower (thousands paid with their lives and tens of thousands with their health) be undertaken in order to bring about the "industrialisation" of one of Rumania's poorest provinces so as to achieve a rapid rise in the people's

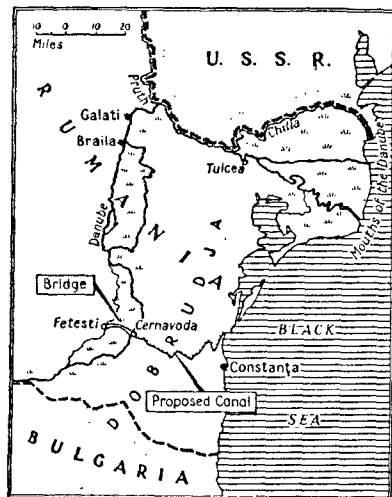
standard of living, and then be abandoned half-way through in order to achieve the very same object? The real reasons behind the commencement and subsequent stoppage of work on the canal are quite different.

Right from the beginning, the official reasons for the construction of the Danube-Black Sea canal were not the real ones. It was Gheorghiu-Dej's sincere belief that the building of Socialism consists in the implementation of projects such as the Volga-Don canal. To carry out such projects is for Gheorghiu-Dej (following in the steps of Stalin) to lay the cornerstone of Communism; it also provided a convenient occupation for the ever increasing number of "clients" of the security services. So he determined, after securing the at first reluctant approval of the Kremlin, to take this—as he thought—short cut to establishing a Communist state; and in August, 1949, work on the canal began in the most primitive conditions.

It was only later that Moscow realised the possible strategic value of the canal and started both to encourage Gheorghiu-Dej and to send machinery. But the near-starving forced labour employed on the canal and the poor quality of the Soviet machinery—not to mention the resistance of the former—did not lead to the great strides forward claimed in the frequent "battle communiques" issued

in Bucharest. Two big trials were therefore staged, one in 1951 and the other in 1952, to provide the necessary scapegoats. At the beginning of this year, however, Bucharest was obliged to face the facts, and to admit that only three of the seventy kilometres planned to be ready by the end of 1955 had been completed. It was moreover at long last decided that a serious study of the scheme was essential. The Swiss engineers who were brought in soon discovered that the subsoil was quite unsuitable, and that since the site of the canal was 0.60 metres lower than the level of the Black Sea, and since the shores of the latter were provided with insufficient dykes, in a very short time, had the original plan been adhered to, the whole project would have been flooded.

There was no other choice but to begin again from the very beginning or to abandon the project altogether. It appears that the latter course has been adopted, at any rate for the time being. At the end of last spring, according to reports from Rumania, all work on the project was stopped at about the same time as the "amnesty" was put into effect. All men over sixty years of age in the forced labour camps on the canal were released at the rate of twenty per day; so were all cripples unlikely ever to be fit for manual work again. But a great number of those who were still capable of working were sent to Ajud in Transylvania, the principal prison city of Rumania, where three factories have since been opened. Thus it appears that when the Deputy Foreign Minister made his ambiguous statement last August the canal sites had already been deserted for some months.

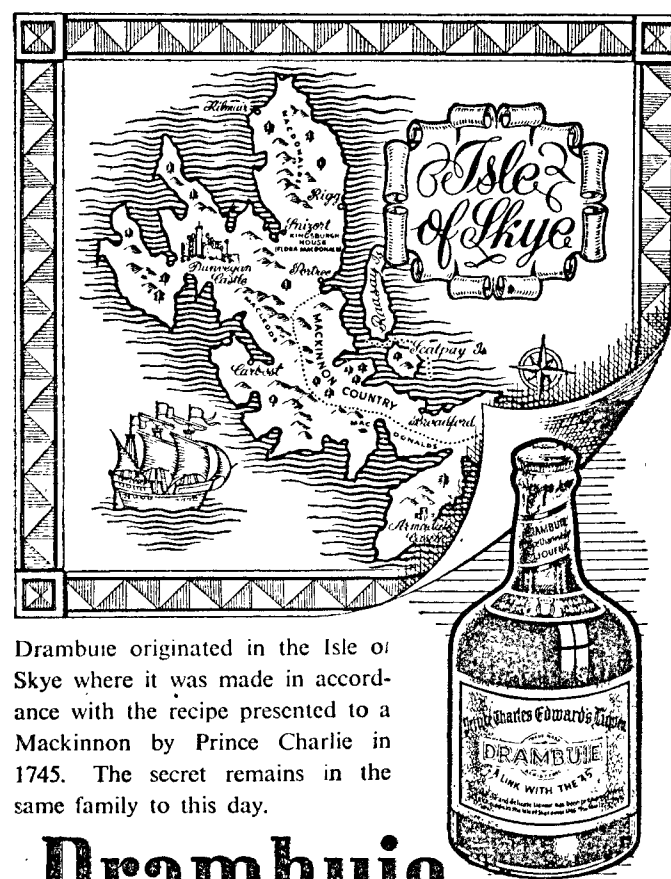


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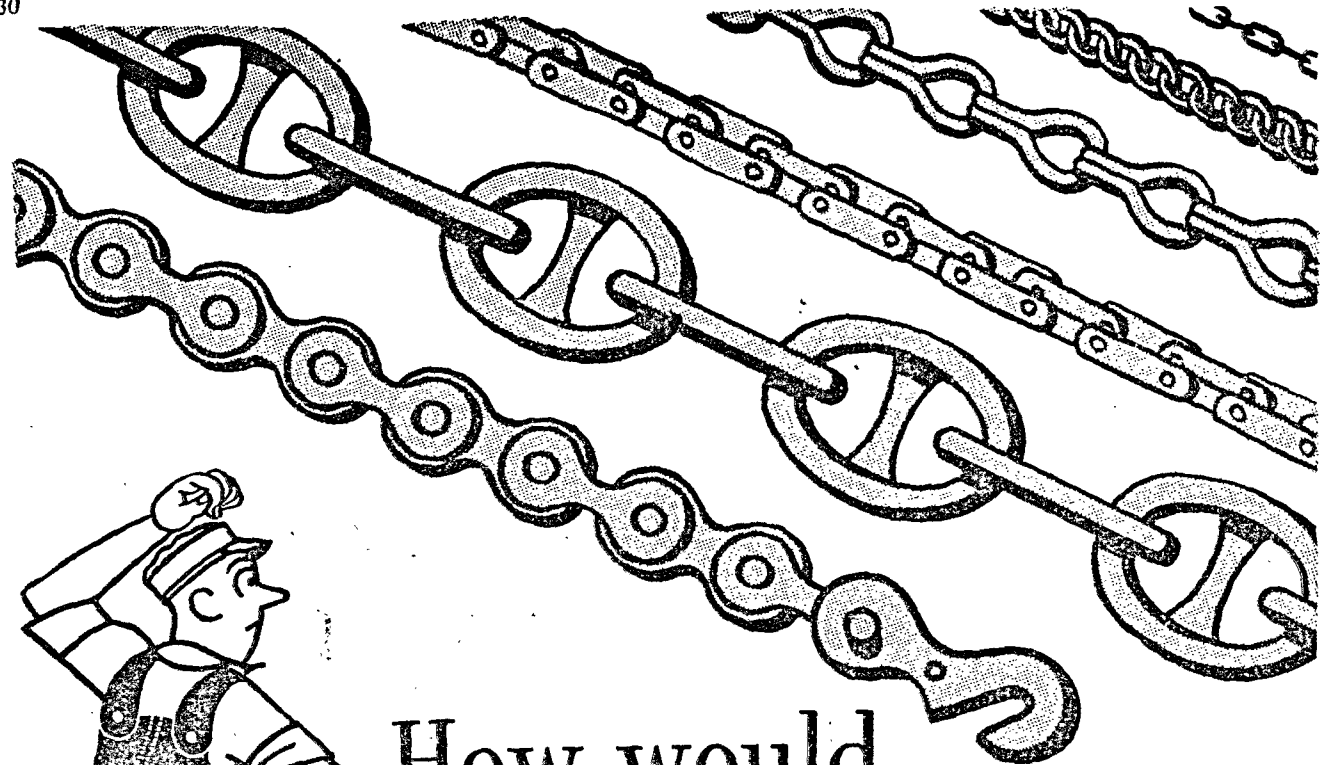
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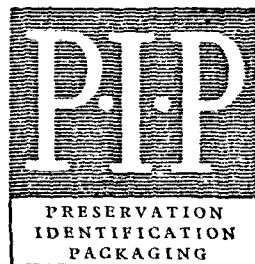
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THE BUSINESS WORLD

Battle for the Savoy

A WEEK'S truce in the battle of the bids would enable company directors, shareholders and mere economists to devote some much-needed fundamental thought to the issues that have recently been raised by the Savoy Hotel and other cases. But a rough fight is a time for sharp reflexes rather than high thinking; and as the Savoy affair reaches its climacteric none of the contestants is bothering overmuch about the rules that normally govern—or ought to govern—the conduct of companies. In particular, the shareholder stands helplessly on the sidelines of the battle, conscious that much is wrong whoever may win. And a little higher up the river, the perennial critics of companies, shareholders and the City are relishing the spectacle, conscious that they are bound to snatch political capital from the affair, whoever loses.

At the end of last week, Mr Clore announced that he had felt it right "to eliminate competition . . . which can serve no ultimate useful purpose" between himself and Mr Harold Samuel and had agreed to sell his group's holding (£97,500 of ordinary stock on November 27th) to Mr Samuel "and to support him in every way possible." Mr Clore, having thus retired, presumably with a satisfactory profit, from a contest in which he was a late starter and never the principal buyer of Savoy Hotel stock, thus raised Mr Samuel's interest to £298,000, assuming that the latter had bought no further stock since November 26th. That holding would have conferred upon him control of 30 per cent of the voting power and there are strong indications that Mr Samuel may now control 40 per cent of the votes; if, to quote the words of Mr J. B. Lindon, Q.C., Mr Samuel's group might be able materially to influence the policy of the Savoy Hotel company, if not to control it, with 20 per cent of the votes, it ought to be able to do both with 40 per cent.

But if Mr Harold Samuel had supposed that the way was now clear to obtain effective control and put in hand his plan for rebuilding the Berkeley Hotel as an office block, he reckoned without the ingenuity of the Savoy Hotel board under Mr Hugh Wontner, who with the officials and staff of the company hold about 7 per cent of the votes. The board's plan (which found no mention in its emotional circular a fortnight ago, when Mr Clore was named but not Mr Samuel) is to rebuild the Berkeley as an hotel. The strategy of the fight has therefore turned upon one major issue: whether it is possible to put the Berkeley Hotel beyond the reach of Mr Samuel, despite the fact that he is the major shareholder.

The technical means that the Savoy directors propose to secure this end have the merit of ingenuity if no other. Worcester Buildings Company has been formed to acquire the Berkeley and certain other properties, issuing in exchange preference shares to the Savoy group. The Berkeley property has been valued at £490,200. Worcester Buildings has 540,000 3½ per cent first preference shares of £1, without votes unless their rights are affected; 100,000 6 per cent second preference shares of £1 carrying one vote per share; and 200,000 1s. ordinary shares carrying one vote each, a limited non-cumulative dividend of 6 per cent, and the right to a return of capital only. The first preference shares carry the right to all distributed profits after the fixed dividends have been paid on the three classes, and the right to all surplus assets. They are, in effect, the ultimate equity, but they have no say in their own destiny, for the control of Worcester Buildings will vest in the ordinary shares, which have been taken up by the trustees of the Savoy group staff benevolent fund. The three trustees are the medical adviser to the Savoy, a partner in the firm of accountants who

have been auditors of the Savoy since its foundation, and Mr Hugh Wontner, the chairman and managing director of the Savoy. The object of this device is to put the Berkeley property beyond the control of the votes of Savoy Hotel shareholders, but to retain for them the ultimate benefit of the right to its profits and to its assets, should the ordinary shareholders of Worcester Buildings Company decide to distribute them—which might be doubted so long as Mr Wontner remembered that Mr Samuel held 40 per cent of the Savoy shares.

Several objections can be made to this scheme, leaving aside for the moment all consideration of principle. In the first place, it has been less than adequately explained in the directors' latest circular. The trustees, it appears, are a self-perpetuating body, not responsible to Savoy shareholders, and able to decide without any reference to them the disposal of the Berkeley property and of its surplus earnings. Secondly, although the Savoy shareholders have been given much interesting material about the history of the Berkeley (including due reference to its "unique connection with the principal families in the United States"), they were not invited to give their views on the directors' plans to alienate part of the property belonging to their own company. There are no comparisons of possible earnings from the Berkeley site as a new hotel or as offices, so that it is impossible to decide (though perhaps permissible to make guesses) which use of the property is economically the more advantageous.

★

On grounds of principle, it is difficult to find condemnation too severe for what the Savoy Hotel board have done. They have taken, without the consent of their shareholders, a valuable property in which the shareholders have an equity and of which the best use is open to dispute. They have made it impossible for the shareholders—unless Mr Samuel, the principal shareholder, discovers some loophole hitherto invisible—to exert any control in future over the disposition of that property. They have set a precedent which, if extended, could divest shareholders in any company of their legal interests, leaving them wholly at the mercy of directors over whom they would be powerless to exercise any control. They have carried to the limit the modern doctrines that "the company" is something apart from the shareholders, that directors owe a primary duty to "the company" rather than to the shareholders, and are justified in taking any steps, even to the disadvantage of the shareholders, that they conceive to be in the interests of "the company." The point has been aptly put by Professor Keirstead:★

The entrepreneur may say, and believe, when he speaks at the company meeting, that the interests of the company are the interests of the shareholders, but his ordinary thoughts do not run along these lines. Most of the time the company which he serves has its own interests to which he dedicates himself.

★ An Essay on the Theory of Profits and Income Distribution.

Here, in the last resort, is a head-on collision between the idea of a property-owning democracy and a corporative system run by business executives. There are considerable differences in the approach to company problems of Mr Wontner and Mr Austen Albu, MP. Yet each of them is reaching out, from quite different directions, for the same solution—the situation in which the shareholder is to be disfranchised of his rights and denied access to his own property, leaving a board of directors immune from any effective control by shareholders.

★

Each day brings a new turn in the dispute. Mr Samuel made application last Monday to the Board of Trade for the appointment of an inspector to investigate the action of the Savoy Hotel board; this is now under consideration. On Tuesday he offered to sell his holding (apparently of 375,000 ordinary shares) in the Savoy Hotel at 62s. 6d. a share, giving the directors a day to consider the offer. This has been refused by the directors on the ground that the price is excessive, and Mr Samuel has since stated that he had "no desire" to sell this stock but sought to do so "in an endeavour to find some amicable settlement to the present dispute"—which can be interpreted as a willingness to obtain a substantial quick profit even if that would have meant abandoning his plans for making "the most appropriate and economic use of the Berkeley."

This offer must be regarded as a tactical interlude in the basic strategic struggle for control. It is time that the non-controlling shareholders who, be it remembered, still hold more than 50 per cent of the votes, were treated to a little more hard fact than is to be found in the appeals to tradition issued by the Savoy Hotel board and in the assertion by Mr Samuel that he would have "full regard to the wishes of the planning authorities and other interested Government departments" in developing the Berkeley site. The fundamental argument in this case is about a change of use, which the Savoy directors have sought to frustrate by taking the property out of the control of their shareholders, but not beyond their own effective control. Not a single estimate of future capital expenditure and earnings has been put before the general body of shareholders by the two contestants.

Shareholders have become enured in recent years to being treated on the basis of least eligibility. But when directors find themselves under pressure they sometimes put shareholders higher in their thoughts. There has been the interesting case this week of the revision of policy of English Sewing Cotton Company, the directors of which have been perturbed about rumours of a bid for the ordinary stock. "Existing reserves" the directors now declare "are sufficient to support an appreciably higher dividend"—20 per cent against 12½ per cent is forecast, even though the 1953 results will not be accurately known for some time. Even more striking, "the policy of preserving the company's

assets and maintaining a steady dividend will be followed as far as is consistent with ensuring that the market value of the stock bears some relation to the worth of the company's undertakings"; and as a corollary to this new attitude, the issued ordinary stock is to be doubled.

There are some kinds of disturbance that are good, just as others are socially harmful and economically wasteful. Some of the consequences of the battle of the bids can be harmful, particularly if they involve the wanton alteration or destruction of undertakings that are guilty of no crime but careful husbandry and put a modest figure on their own value; to "gut" such undertakings for the benefit of a bidder is often to rob patient shareholders of what was due to them. It is to bids of this class that the Bank of England is presumably looking with a critical eye, for it has made a request to the insurance companies not to buy properties if their purchase would assist the negotiation of a speculative transaction. That request involves awkward questions of definition, though there is a clear difference in practice and in negotiation between a property deal involving the actual owner and one in which a potential owner is

seeking financial support for a bid for control of properties that he has yet to secure and for which he could not otherwise find the purchase price. The request from the authorities will make the "heads I win, tails you lose" type of bid harder to contrive, but it will not prevent the appearance of "speculation" in any property deal that involves a change in the status of a property from one with an unrealistic book value to one with a current market price.

The events of this past fortnight are by no means reassuring for ordinary shareholders. They have been treated to a demonstration that their only equity may be in distributed profits, and that the assets and reserves of a company of which they are owners can be put beyond their reach. That lesson will not be lost on the political critics of company finance who talk of "absentee shareholders" and seek to divide their equity between "the workers" and the Exchequer. These fundamental issues involve something wider than the fate of shareholders; they involve in the last resort important elements of the economic freedom of the individual. To this issue the discussion must turn in a further article.

Competition for Steel Exports

ESTIMATES of world trade in steel are inherently difficult to make and more difficult to interpret. The raw national data are hard to come by and compare; annual totals require the lumping together, in proportions that vary from year to year, of ingots, semi-finished, and finished steel, where tonnage means different things; and some double counting seems inevitable. Ingots brought from Italy to be hot-rolled at Margam and returned as strip, for example, may figure twice in export returns before being consumed in the land where the steel was smelted; and during recent years, when demand has pressed hard upon steel industries with capacity not completely in balance, such special cross-hauls have involved considerable tonnages.

These formidable provisos accepted, however, there are indications that international trade in steel this year may fall below the volume of 1952, which itself seemed slightly smaller than in 1951. Total exports from eight of the major steel-exporting countries, which together account for three-quarters of world production, were running in the first half of this year at a rather lower annual rate than last year. Such statistical indications of a shrinkage in export business would certainly accord with the common experience of steel exporters in recent months, when orders have been hard to find and competition more severe, even at reduced prices. In part this apparent decline in steel exports may be natural in a year during which production has once again caught up with demand—as it might have done in 1952 but for the 17 million tons lost in the American steel strike. World steel output in 1953

will probably be quite 10 per cent higher than last—perhaps 230 million long tons against 207 million tons in 1952. Consumption of steel, too, must have risen; but now that supplies are easier, consumers are using up the stocks that they managed to build to very high levels during the 1951-52 scramble for steel. This has certainly happened in Britain and in the United States, where consumers' stocks have been tending to aggravate rather than to cushion the fluctuations of demand; and world demand has been characterised by similar buying behaviour in many countries.

This year's softening of the export market for steel has been fairly general, affecting most markets and most products. Exceptions include plates, where demand (though not necessarily consumption) probably still exceeds supply; sheet; and rails, the demand for which is as usual fairly steady, with contracts still being fixed for long periods. Demand for tinplate, too, is recovering. But for a wide range of products, demand is still very slack and delivery is being offered over very short periods indeed. This sales resistance is serious enough for a country such as Britain, where only about 15 per cent of output is exported and where the volume of exports is still formally subject to some degree of Government control. It is very much more serious for steel producers in Belgium and Luxemburg, where exports normally account for some 75 per cent of steel output. Hence the competitive cutting of prices during the last twelve months, and the attempt by the revived steel export cartel to co-ordinate Continental export prices for steel.

Last month's cuts in British export prices for steel were generally stated to have brought these prices down to roughly the level of the published prices of the European steel export cartel. Comparisons are difficult to make, but it appears that the basic prices for a number of British steel products are now in fact somewhat lower than the Continental export prices, if the extra amount charged on the Continent for steel of open-hearth qualities is counted in. If the prices for the British steel (mainly open-hearth) are compared with the basic Continental export prices for Bessemer steel, the British prices are somewhat higher. The extra value traditionally placed on open-hearth steel by comparison with Bessemer in Britain reflects the views of an industry that makes 90 per cent of its steel in the open hearth; while the extras charged for open-hearth qualities in Western Europe, on the other hand, reflect to some extent the inconvenience to producers there of supplying large quantities of such steels. Foreign customers have neither reason to exaggerate the difference in quality, and in a large number of applications, it may not matter much. So the British steel offered for export should perhaps broadly be compared with the Continental steel, quality aside—by which criterion British prices are probably still slightly above the cartel's.

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Moreover, such standard prices as are fixed by the cartel seem in practice to be freely shaded by individual steel producers in Western Europe. The price with which a British figure is being compared may be no guide to the price at which orders for such steel are being quoted. It would be pharisaical to suggest that this does not happen in Britain, too. Heavy steel exports are handled co-operatively through one of the British Iron and Steel Federation's agencies, and in this range quotations are obviously at the agreed prices, though special dispensations may be obtained in to meet competition in particular cases. There is no formal co-ordination of prices for lighter steel products, and in this field the shading of prices may be more frequent, if perhaps not quite so general as in Western Europe. It is still true, therefore, to say that Britain is managing to obtain slightly higher prices than other European

exporters for the steel it is exporting; its f.o.b. prices in October had come down by an average of 8-10 per cent by comparison with last autumn.

Whether Britain can continue to obtain these slightly higher prices is more doubtful. Nearly two-thirds of British exports at present are going to countries in the Commonwealth, where they obtain varying degrees of Imperial Preference; these may give an advantage of 20 per cent in certain countries, but as little as 5 per cent in others, while a number of the colonies accord no preference at all. A fairly considerable proportion of exports, also, goes to countries with which Britain has bilateral agreements; these markets, too, may be rather more stable than others, though the bargaining importance of British steel—or British coal—is at present much devalued. Part of the remaining exports go to the oil-producing countries, where the buyers may be British-controlled oil companies. It is in what the Board of Trade used to designate "outer countries"—those markets where Britain enjoys no special relationship with the customer—that competition has been fiercest this year, but it is no longer wise to exaggerate the protection of special links with steel customers. Even the Commonwealth, as the table shows, has since the war been buying from Britain only about a quarter of its steel imports, though this has been partly due to British restrictions on steel exports. The policy followed in postwar years of holding British export prices for steel moderately steady, in comparison with the very high figures charged by exporters who took full advantage of the shortage, may have enhanced Britain's reputation for fair dealing. But it is unlikely to have made Britain's hold on the customers any stronger today if a competitor quotes lower prices.

Britain's busiest competitors are the members of the European steel export cartel, who in different hats are the members of the Coal-Steel Community that is at present seeking to outlaw that cartel. The High Authority has as yet shown no great success in controlling the internal level of steel prices within the Schuman Community, and it is perhaps under pressure from its American mentors to demonstrate that it can be effective in exerting its authority over the export arrangements between its members. The British steel

industry is at present an interested spectator of this encounter, despite its feeling that the dispute is less concerned with whether minimum export prices should be fixed than with who shall fix them. But the British appraisal of the competitive strength of the Continental steel industries and its own, when it comes to export competition, is still confident. It believes that the prices being quoted by European steel exporters for some products are already below home prices, if not quite down to cost. British steel prices, which do not greatly differ from those charged by the Continental exporters, still afford substantial export premiums on a number of products and some premium on nearly all exports; British costs, broadly, are below those of most of its European competitors.

The largest question mark for steel exports concerns the likely course of world trade, and essentially American trade. In the United States, as in England, there have been some signs that the stocks in consumers' hands are coming down to a level where a normal flow of orders will be resumed. Steel producers everywhere would like to believe that this year's slackening has been simply an inventory recession, generated entirely

by the desire to liquidate stocks built up too high during the period of shortage. In the United States, this is at any rate a good deal of the story; but the steel industry there is also expecting some minor decline next year in demand for current consumption in engineering, particularly in the motor industry. Such forecasts may arouse fears among other exporting countries that large amounts of American steel may be released on to the world market, possibly at low prices (though the American industry has seldom in the past brought export prices far down in order to keep capacity active). But even if the present slackness in demand should develop into more than an inventory recession, Britain has one further layer of insulation to discard. This year, though exporting about 2.6 million ingot tons of steel, it is still importing more than a million tons of semi-finished steel. Demand overseas, and indeed at home, could sink by this substantial margin before Britain's present level of output, or even its planned expansion, need be materially affected. But no steel exporter would welcome the idea that any very bitter or prolonged struggle on the steel export market is imminent.

Business Notes

Turn in the Road

As a first instalment of the modernisation that Britain's road system sorely needs, the three-year programme announced by the Minister of Transport is welcome—but only as a first instalment. The commitment is not a large one, nor entirely definite. Schemes for road improvement and construction that will eventually cost the Exchequer £19 million are to be authorised during the financial year 1954-55, and further projects that will cost it £31 million will be authorised in the two following financial years. It is not easy to translate these figures of authorisation into forecasts of actual spending on road work. The Minister said that in the first two years "actual expenditure will be relatively small"; by the third year it will have risen to some £14-15 million a year. The present level of central Government expenditure on major improvements and construction is about £5 million a year, so the increase described might indicate an actual expenditure over the three years of perhaps £30-35 million, compared with the £15 million that would be spent if work continued at its present rate. The annual expenditure after 1957-58, however, is expected to continue at about the £14-15 million level "for a period of years."

These figures of expenditure, of course, understate the

actual amount to be spent on the programme, because local authorities will be called upon to make a contribution. Local rates bear varying proportions of expenditure on all but trunk roads, for which the Ministry of Transport pays the full cost; and across the whole field of maintenance, minor improvement, and major work on the roads, the local authorities have recently been paying some £46 million a year to the central Government's £34 million. Their share of a programme concerned largely with major roads would obviously be much smaller; it is somewhat surprising that the Ministry, which was ready to describe in considerable detail a number of the specific road schemes that it plans to authorise under its three-year scheme, has not yet been able to give any estimate of the concomitant expenditure by local authorities that this will involve. The Minister, moreover, was not ready to say how much the Exchequer contribution will be next year to the cost of normal maintenance and minor repairs; the contribution from local authorities to both these blocks of expenditure is presumably being counted together.

According to an index of real expenditure on British roads produced recently by the Ministry of Transport, this year's expenditure of £5 million on major road improvements and new construction represents about 24 per cent of the average expenditure between 1936 and 1939. So the level of planned expenditure in three years' time, assuming no increase in prices, would still appear to repre-

STEEL TRADE OF MAJOR EXPORTERS, 1950-53 (Ingots, semi-finished and finished steel)
(000 tons)

TOTAL EXPORTS, 1950-53				
	1950	1951	1952	1953*
UK	2,351.6	1,905.2	1,875.3	1,865.8
USA	2,396.5	2,746.3	3,597.8	2,953.1
Belgium-Luxembg	3,309.2	4,798.1	4,672.0	4,329.8
Germany	1,649.7	2,000.2	1,732.8	1,327.6
France/Saar	2,232.6	3,668.4	2,584.9	3,663.8
Italy	118.1	108.0	130.2	147.0
Netherlands	185.2	191.7	146.4	205.8
Japan	613.3	930.0	1,200.0	888.0
GRAND TOTAL	12,856.2	16,347.9	15,939.4	15,381.2

* Annual rate first half.

DISTRIBUTION OF EXPORTS IN 1952

Destinations	Countries of Consignment				
	Britain	USA	Belgium-Luxembg	Western Germany	France-Saar
British Commonwealth and Irish Republic ..	1,132.2	1,970.4	891.5	238.6	340.1
Europe	409.1	429.1	2,471.3	995.8	935.6
Western Hemisphere ..	168.1	843.9	807.2	343.8	369.7
Africa, Middle and Far East	133.4	235.8	457.1	139.4	398.0
Other countries	32.4	118.6	44.9	14.2	491.5†
GRAND TOTAL	1,875.3	3,597.8	4,672.0	1,732.8	2,584.9

† Includes 462.8 thousand tons to French overseas territories.

sent no more than three-quarters of the work being done before the war. In terms of physical resources, this planned increase in road work may represent the most that can be squeezed from the civil engineering industry and its suppliers, if the present deployment of these resources and those of the building industry is taken as essentially sacrosanct. The programme, indeed, may be the most that can be expected while those responsible for other sectors of national investment are not prepared to give an inch. Whether some of those other investments are providing as substantial a return as could confidently be expected from investment in better roads—this programme and much more—is inherently doubtful.

£10 Million for New Zealand

NEW ZEALAND this week has earned the distinction of being the first Commonwealth borrower to come publicly to the London market with a Government issue to finance a major development project that is precisely what the doctors of the sterling family conference ordered. The project is the now well-known Murupara scheme for the establishment by the Tasman Pulp and Paper Co. Ltd.—a company in which the New Zealand Government has a substantial interest—of a large integrated plant for production of timber, pulp and paper. The scheme promises substantial dollar savings for the sterling area when production begins, as is hoped, in about two years' time. As part of its contribution to the estimated total capital costs of about £NZ 27 million, the New Zealand Government has this week raised £10 million in London, to finance the relevant outlays now being incurred in Britain.

The loan took the form of a 4 per cent stock, 1976-78, offered at 98½, at which price the redemption yield to final date was just under £4 2s. per cent. At the time of the announcement these terms offered roughly 3s. more on the redemption yield and nearly 2s. more on the running yield than could be got from the most nearly comparable British Government stock—the Transport 4 per cent stock, 1972-77. Despite the easing of the gilt edged market during the week, the lists closed within ten minutes of the opening on Thursday. Applicants for £5,000 or less secured a full allotment, but larger applications were scaled down to 81 per cent.

Mining in a Warm Winter

THE miners have at length managed to produce the 100,000 tons a week extra that the National Coal Board has been hoping for ever since their second week's holiday. Last week, with 10,000 fewer men on colliery books than a year before, but a thousand more men working at the coal face, they produced 4,559,000 tons, the highest week's output for two years. The cumulative total of coal production, however, is still 2 million tons behind last year's total—essentially because with their extra week and the Coronation the miners took the equivalent of 5½ million

tons of coal in leisure. Distributed stocks of coal at the beginning of December, however, were still about 19 million tons, as high as last year's and offering reasonable insurance against anything but an exceptionally cold winter. This was due in some small measure to the transfer of coal from open-cast stocks during the autumn into consumers' yards and coal dumps, but mainly to the happy coincidence of two errors in forecasting—an estimate of autumn coal consumption that was falsified by the weather, and an estimate of autumn coal production that was falsified by the miners.

Inland consumption of coal this year seems likely to turn out roughly 3 million tons higher than in 1952, which would be higher than in 1951, though not back on the sharply increasing trend of 1949-51. So far this year industry has consumed about 600,000 tons more than last year, and domestic consumers seem to have bought about the same amount; but the coke ovens have taken three-quarters of a million tons more, with the growth in blast furnace output, and the electricity supply industry has increased its consumption by well over a million tons. The railways and the gas industry have been taking less coal, and direct purchases by the iron and steel industry have continued to fall. The major upturn in industrial activity did not come until the second half of this year, and capacity is probably not fully employed even today, so that demand for coal given average weather and a really high level of industrial output cannot yet be gauged. There have been some indications that industry is taking fuel efficiency rather more seriously, and some millions of "improved grates" have been installed with no appreciable effect upon coal consumption in the home. But with exports once again cut back to a level of about 13 million tons for this year, it seems certain that the coal industry, at least, need have no misgivings for the moment about demand.

Steel Prices Switched

GOVERNMENT control of the maximum prices of iron and steel products was this week formally brought to an end; and "determination" by the Iron and Steel Board of the maximum prices to be charged by iron and steel producers was formally brought into being. The products concerned, and the prices (in 22 "related schedules" instead of about 60) remained almost without exception the same. These are maximum home prices; there is no control of export prices, though heavy steel exports are co-ordinated by one of the British Iron and Steel Federation's central agencies, while exports of rails and tinplate are co-ordinated by conferences within the federation. The board, incidentally, has no power over the price of iron and steel scrap, since the industries over which it exercises supervision are mainly concerned with buying scrap, not selling it; so the Government has kept in being its existing order fixing the price of home-bought scrap. The change for the moment, therefore, is largely one of names; a number of the people who were concerned with the control of steel prices in the Ministry of Supply's Iron and Steel Division have similar responsibilities in the new organisation. It may be noted that the board is publishing its price schedules, whereas the Government used merely to "deposit" them for inspection.

The first edition is weighty rather than exciting.

Prices for the moment seem likely to constitute the board's main practical responsibility, though its final scrutiny of development projects will presumably also require regular attention from the members and some continuing staff work. Certain other responsibilities, such as statistics, are for the present being left mainly with the Steel Federation, which has an elaborate and highly effective department doing the job; and in general the board is working through the existing channels of the trade associations.

A fresh approach to the whole price structure of iron and steel products in Britain is certainly overdue, though in the last 18 months some of the main anomalies in these prices have been ironed out. As to personnel, the board is perhaps uniquely qualified to undertake this. It has as yet still to establish itself—and its real position—within the industry, and its eventual sphere of influence remains a matter for delicate conjecture. But a thorough investigation of steel pricing—and some re-thinking of the principles that for years have governed the industry's pricing—would do more to establish it as a going concern in British steel than any careful manoeuvre for position.

Textiles—Tax and Tactics

LANCASHIRE'S well-known views on the "D" scheme and the incidence of purchase tax provide the back-cloth for a forceful exhibition that the cotton and rayon industries put on in London this week. The Christmas message that the exhibition is designed to convey is that the "D" scheme of taxation distorts the normal pattern of trade, to the detriment of the export business. With the exception of certain linen and heavy furnishing fabrics, cloths containing less than 15 per cent of wool, regardless of their other fibre content, are not subject to purchase tax so long as their wholesale price is below 4s. a yard. Any excess over 4s. attracts purchase tax at the standard rate of 25 per cent for made-up garments and 50 per cent for piece goods. Since the home trade is generally reluctant to buy goods carrying any tax at all, Lancashire's argument goes, manufacturers are obliged to contrive their quality in order to sell below the "D" figure of 4s., and such cloths will not sell abroad. Similarly, if it becomes necessary to sell on the home market the balance of cloth specially designed for export, the impact of purchase tax affects the home demand; for this reason certain export lines are being taken out of production. The exhibition provides material evidence in support of these arguments.

Many people in Lancashire, however, would be prepared to admit what the retail trade has maintained all along—that the retail customer is no longer aware of the incidence or the absence of purchase tax since the "D" scheme was introduced. But they argue that traders in the distribution chain between the mills and the final consumer show an incurable prejudice against carrying stocks of taxed goods; they are, it is said, mortally afraid of being caught for a second time with taxed stocks on their hands at budget time. This fear is becoming an obsession; orders are cancelled and consignments returned whenever the trader sees his stocks rising. The recent mild weather is causing them to rise considerably and it would not be surprising

if the consumer trades went through a distinct recession during the first quarter of 1954.

Lancashire's policy has been to ask for the removal of purchase tax on all textiles; but there are signs that the industry has now come so to dislike the present purchase tax arrangements which it had eagerly approved two years ago that some of its members would be prepared to see purchase tax extended to all textiles, including those now tax free, if the "D" scheme could be dropped. If all traders' stock was taxed, it is said, there might not be the same incentive to concentrate on low-priced cloth. Whether the Government would find such a solution politically acceptable is very doubtful, for the "D" scheme, and the standards that were supposed to go with it, were a substitute for the outworn but still popular utility schemes. And it is difficult to believe that the wholesalers would warm to the idea of carrying stocks containing a larger burden of purchase tax than is now the case.

Stabilising the Tin Market

AFTER four weeks of discussions and bargaining in Geneva, the United Nations conference on tin has produced a draft agreement to stabilise the world tin market. The agreement follows the expected pattern. It would seek to regulate prices by taking any surplus of tin off the market through the operation of a buffer stock and controls over exports. The proposed floor price is £640 a ton and the ceiling price £880 a ton. If the price on the London metal exchange was within or above the upper third of this range, that is £800 to £880 a ton, the manager of the buffer stock would sell tin; he would buy when the price was within or below the lower third of £640 to £720 a ton. The implication of these prices is that the producing countries have given up hope of expanding the market for tin; for if the procedure succeeds in maintaining the long-term price within the "free" range of £720 to £800 a ton, the consumption of tin is more likely to decline than to grow.

The cost of financing of the buffer stock would quite rightly be borne by the producing countries. The maximum size of the stock would be 25,000 tons of metal and cash equivalent, and controls over exports would operate when the stock reached 10,000 tons of metal. Producers would be allocated export quotas in proportion to their output, but the agreement provides for 20 per cent of the quotas to be distributed annually to producers according to their efficiency; the distribution would be decided by a majority vote of producers and consumers. Though such an incentive is wholly admirable, it is not easy to see how relative efficiency can be measured when the ordinary standards of the market place are absent. The agreement is for five years, and will come into force after June 30, if ratified by countries with 90 per cent of the consumers' vote producers' vote and 33 per cent of the consumers' vote. In theory, this would enable the agreement to be introduced without ratification by the largest consuming country, the United States. But the agreement could not be effective without American participation, and the proposed range of prices may strain to breaking point such solicitude as the American Congress has for the welfare of tin producing countries.

Japan's Sterling Needs

THE Anglo-Japanese payments discussions noted in these columns last week are making slow progress. The Japanese still insist on treating their shortage of sterling as an essentially short-term problem. The latest evidence of this attitude is the news that Japan has bought a further £4,300,000 of sterling from the International Monetary Fund. This purchase brings the total amount of sterling secured by Japan from the IMF since last September to £22.3 million, a level at which Japan is getting very near to exhausting the whole of the facilities available to it at the Fund for the twelve months period ending next September. The Japanese conviction that the exhaustion of its sterling balances is a purely temporary phenomena is no doubt due to firm hopes that an expansion of Japanese exports to Commonwealth markets only awaits the touch of a magic wand from London. In the talks that are now in progress the Japanese delegates have in fact consistently pressed for more liberal treatment of Japanese goods by the sterling area, and especially by the colonial territories, where open discrimination is still being applied against them. On the other hand, the British delegates at these talks have pressed for more permanent measures to ease the Japanese shortage of sterling than a continuation of the recent expedients of sterling-dollar swaps and purchases of sterling from the IMF. It has been suggested that the time has come for some outright sales of dollars by Japan to this country, so as to liquidate the swap contracts as they mature. So far, however, these pleas have evoked little response from the Japanese. They contend that their present dollar surplus is no less ephemeral than their sterling shortage—and complain that in any case their accumulated dollar reserves are inadequate for their long-term needs.

Viscounts on the Counter

THE first Viscount airliner to be completed on Vickers-Armstrongs' new production line at Hurn was delivered to British European Airways this week. This marks a bold bid by Vickers to capitalise on the company's long lead in turbo-prop medium range airliners. The line at Hurn is capable of turning out 100 airliners a year, roughly £25 million worth, a rate of production that has rarely been equalled even in the United States. In a year's time, the Hurn factory should be turning out six Viscounts a month, and this will be stepped up to the full rate of eight a month if the orders justify doing so. The risk involved in this ambitious scheme lies in the fact that it is by no means certain that this volume of orders can be obtained. The company holds contracts for 86 Viscounts, and the purchase of 50 more is under discussion with various customers, though not all these talks will necessarily end in a contract. By building up the annual rate of production to at least 70 (six a month) and probably to 100 airliners a year, Vickers expects to guarantee any customer delivery of an individually modified aircraft within 18 months, and could probably sell a "standard" version almost off the counter were airliners bought in this way.

The potential world market for a medium-range airliner is probably in the region of 200 or more a year. But the attempt to capture so large a share of this market will involve Vickers in heavy capital expenditure. Tooling costs amount to a round £1 million. The working capital commitment which might run as high as £2 million in any month, will be financed partly by Vickers, partly by progress payments from customers who are usually expected to have put up on average at least 60 per cent of the purchase price by the time the aircraft is delivered.

The burden of tooling and of finding finance for work in progress is one that faces all British civil aircraft manufacturers who, like Vickers, are out to prove that British factories can turn out aircraft as fast, or indeed faster, than their competitors. First de Havilland, and now the Bristol Aeroplane Company, have arranged for additional capacity to be brought in to supplement output from the companies' parent factories; Bristol are obtaining this assistance from the Canadian company Canadair Ltd. Both Vickers and de Havilland are taking steps to build aircraft at a faster rate than the orders are coming in. One reason for such confidence in an industry that is not a particularly favourable one for risk-taking on this scale was contained in a speech made this week by Mr Masefield, chief executive of British European Airways, to the Manchester Statistical Society, when he listed new and more efficient aircraft as the main factor in what he considered to be the certainty that air fares would be further reduced. British European Airways, which is still far from breaking even, made a profit of nearly £400,000 on six months' operation of seven Viscounts, which have proved substantially cheaper to run than the rest of the Corporation's fleet.

A Cut in Gas Prices

THE East Midlands Gas Board may be a little optimistic in assuming that "a 5-10 per cent reduction in the fuel costs of goods and services generally might well go a long way towards . . . solving the country's economic problems," but it is nevertheless to be congratulated upon its own reductions in gas prices this week. The Board showed an operating surplus of £279,000 last year; its present reductions in prices for domestic consumers, plus concessions to industry made earlier this year, will cost some £160,000 annually, and it hopes to contain any rises in costs that may arise in the near future. Last year this Area Board was among the most prosperous in the industry. The average price of its gas and its total costs per therm of gas sold, were both lower than those of any other Area Board in the country except the Northern Gas Board. It did increase its prices by about 5 per cent in March this year following the 10 per cent increase in the price of coal; this week's and earlier reductions may broadly have restored prices to the level at the beginning of the year.

The reduction in this board's price is a reminder of the greater degree of local financial independence and decentralisation in the gas industry, in comparison with the other nationalised fuel industries. The area electricity boards have considerable financial independence, but, of course, buy the power they sell from the British Electricity Authority; the divisional boards in coal are essentially units

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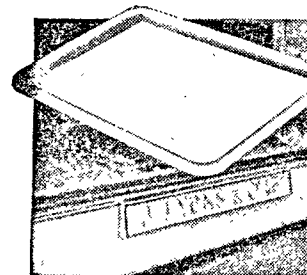


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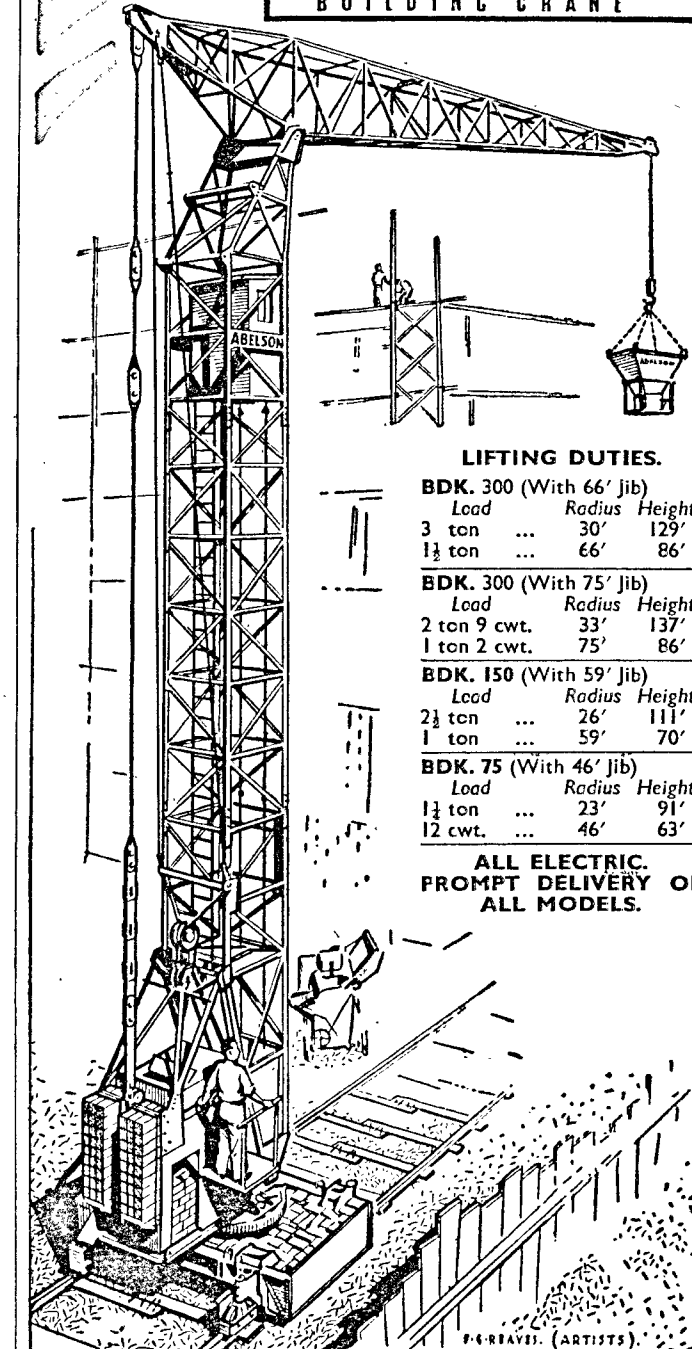
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of management and administration. The area gas boards on the other hand, are the responsible enterprises of nationalised gas, running their own businesses completely and merely making contributions to the central reserve and the current costs of the central Gas Council. High profits in particular mining areas, as in individual mines, have to be applied to assist unprofitable districts and mines, and prices are determined at the centre. In the gas industry, the principle of broadly covering costs, taking one year with another, implies price averaging across a region, not the whole country; and local consumers can get the benefit of local efficiency.

Extra Cement

TWO medium-sized cement plants, costing together about £5 million, are to be built by the Associated Portland Cement Manufacturers in Staffordshire and Wiltshire. The combined output of the two plants, each producing 175,000 tons a year, should make future imports of cement unnecessary. The industry has been supplementing home production by importing nearly 500,000 tons of high-cost cement from Europe, and selling it at the lower home market prices. This is, presumably, the justification for this new and costly venture, which will be about five times as expensive as the prewar plants, not to mention the still older installations that form the backbone of the industry. There is, however, little likelihood of any contraction in the industry's market, which is not entirely dependent on the rate of building in this country, and which could probably expand its export sales substantially.

Ghost Bankers at Westminster

SHADES of ancient controversies stalked through Parliament last week, during the debate on the Currency and Bank Notes Bill; and many of these eavesdropping wraiths must now be squirming in their graves. For the sins against the light of the old-style purists came last week not only from the currency cranks—Labour's well-known jokers on such issues—but from a Government that is itself the reviver of monetary orthodoxy, new style. Mr Boyd-Carpenter and his friends, having striven for a decade to destroy the wartime heresy that "money doesn't matter," are now saying in effect that currency still doesn't matter.

The old-style purist, the Financial Secretary pointed out, attached very great importance to the size of the fiduciary issue; but now "it is fairly generally realised that it has very little to do with the general broad questions of inflation or deflation. . . . The main function of the fiduciary issue today is . . . to ensure that sufficient notes are available for the practical convenience of the public." In one sense that is clearly true. Cases in the note issue are rather a consequence of inflation; and nobody would seriously suggest that a prudent or practicable way of arresting inflation would be for Parliament to reverse an increase in the fiduciary issue that had been outstanding for two

years—which is the power, and the only power, that Parliament will have restored to it by the new Bill (as a Note in these columns last week explained).

But the ghosts are still entitled to their squirmings, or some of them. Despite all the sophistication of modern lore on inflation, it still remains true that there is a fundamental link between the degree of inflation and the volume of money; and since the nation's currency habits are relatively stable, there is an even closer link between the total volume of money and the volume of currency, small change though it is. The existence of the Parliamentary sanction could be valuable and salutary, even though everyone might feel confident that Parliament would never dare to use it violently. The conditions of the early nineteen-thirties were very different from those of today, but it is still relevant to recall that the Government of the day took very good care to cancel the 1931 emergency increase in the fiduciary issue (it was a paltry £15 million increase) just before the two-year limit was reached. Parliament's performance in monetary debates is always poor, and invariably lets loose a spate of fallacies from the currency cranks; but perhaps that very fact makes governments shrink the more from submitting their monetary policies to the democratic test. The sanction is stronger in practice than it looks in theory.

Yet in last week's debate one might have thought at times that the sponsors of the Bill were the principal spokesmen of the Labour and Liberal parties; Mr Jay and Mr Grimond both put the practical issue forcibly and well, while Mr Boyd-Carpenter was quite needlessly apologetic. The Labour hobby-horses were, of course, duly taken for a ride, both by Mr Jay and the incorrigible Mr Norman Smith; but the Opposition's only point of substance was its objection that the annulment of a Treasury Order extending a fiduciary increase beyond two years could be moved in either House. This alleged attempt to give the Upper Chamber powers that might be used to frustrate the policies of a Government having a majority only in the Commons betrayed eager Mr Jay into a lapse from the convention about the "other place"—which must have given even graver pain to the writhing grey shapes.

Australia's Oil Strike

THE rate of flow reported from the well where oil was struck on the shores of Exmouth Gulf, West Australia, last week seems to have satisfied the Standard Oil Company of California that the deposits in the area will justify commercial exploitation. One well, of course, does not make an oil boom, but national excitement in Australia, where Canadian development has been watched enviously in recent years, can easily be appreciated. The West Australian Petroleum Company, which made the oil find, is controlled by Standard of California and Caltex (itself partly owned by the Standard company), which jointly own 80 per cent of its capital. The remaining 20 per cent is held by Ampol Exploration, a company formed early this year by the Australian company Ampol Petroleum to take over this holding. Hectic dealings in the shares of Ampol Exploration took place on Australian stock exchanges on Friday and Saturday last week, with the shares, which had stood

at 18s., jumping to well over £6. Early this week the shares soared even higher, but have since eased.

The sands in which this oil has been struck extend over a fairly large area, according to geological surveys, and both the company and the regional authorities are confident that there will be rich deposits to be tapped in the area. No storage or transport facilities exist at Learmouth, the point on the Gulf where the first well has been brought in. Eventually, it is suggested in West Australia, a floating pipeline system might be devised to take the oil out to tankers in the deepwater anchorage.

Expansion of Barclays (D.C. & O.)

THIS year's report of Barclays Bank (Dominion, Colonial and Overseas) is pleasing in more than its attractive production, which is colourfully unique among British banks. The bank's far-flung business through the Dominions and colonies might have been expected to have been adversely affected by the considerable decline in the prices of primary commodities; but in fact, in the year to September 30th last, its deposits rose from £440.9 million to a new record total of £455.5 million. Net profits were only slightly lower at £869,431 (compared with £879,888 in 1951-52), but the fall would have been a little larger but for the small decrease in the rate of taxation. The chairman, Mr Julian Crossley, indicates in his report that the depreciation sustained in the value of the bank's investments in the previous year had been "almost completely wiped out."

During the year, as Mr Crossley's survey showed, the bank has become still more widely diffused geographically. A further 75 new offices were opened, so that over 200 new branches have been established within two years—a truly remarkable expansion that has increased the number of offices of the bank by one-third. This new development has taken place mainly in Africa and the Caribbean; it includes the first banking business ever to be established in the island of Grand Cayman, in which the main industry appears to be the rearing of turtles. Several new offices were opened in the Sudan; the bank is understandably anxious lest political developments subject its business in that country to the same fate as that experienced in Eritrea—where the transfer from British to Ethiopian control forced the bank to close down its branches during the year. Inevitably, banking business in the areas served by Barclays (D.C. & O.) must carry a certain political risk; but if the politicians would seriously reflect upon the important role played by efficient banking services in these under-developed countries, they ought surely to strive to keep that particular risk to the minimum.

The bank's subsidiary, Barclays Overseas Development Corporation, has had a satisfactory year. Its business has expanded only moderately, but, thanks mainly to a strict check upon overhead costs, its net profit has risen sharply, from £40,531 in 1951-52 to £54,657. Last year's maiden dividend of 3 per cent has accordingly given place to a payment of 4 per cent for this year. This corporation is a good example of unspectacular but solid economic development; few economists will dispute Mr Crossley's claim that its work is "none the less valuable for being based upon a

spontaneous and local demand for finance rather than on external considerations." One pound lent to an African peasant for his own scheme may yield more than ten spent on Whitehall's groundnuts.

New Light on Savings

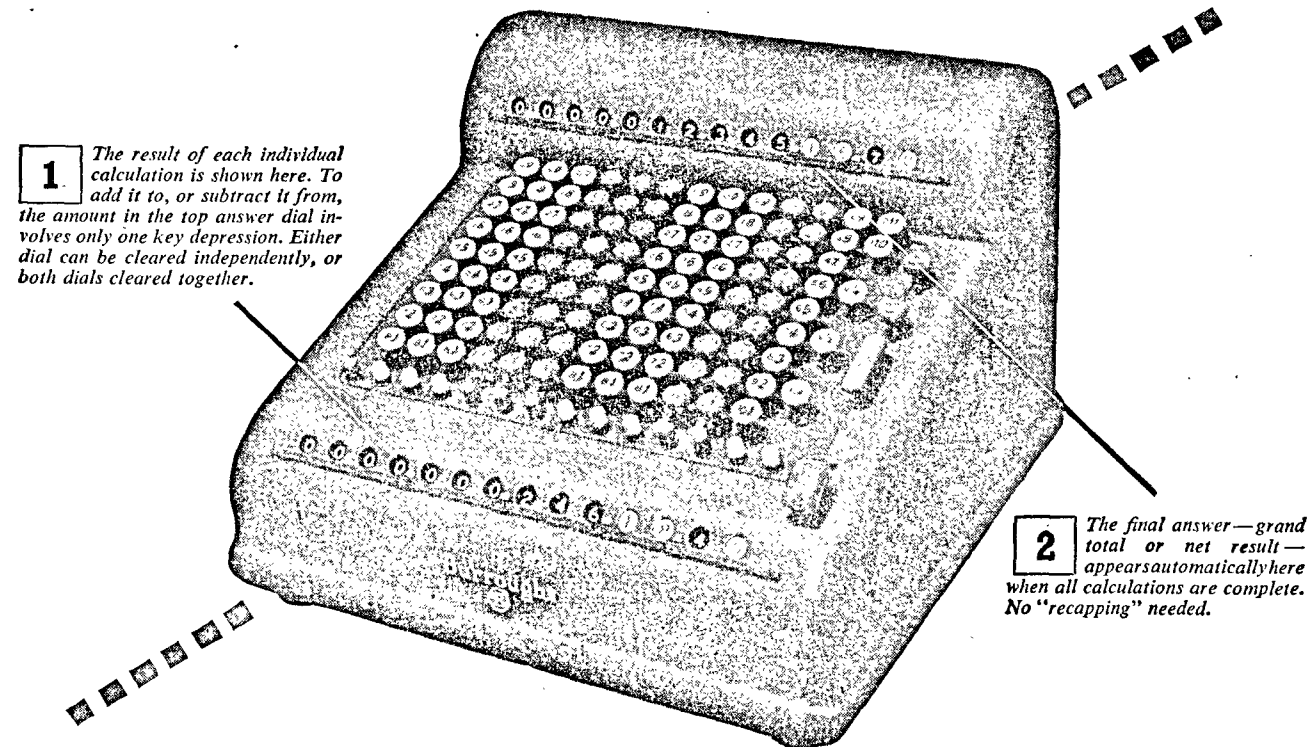
ANY scrap of information that adds to the existing scanty knowledge of the nation's savings habits should be welcomed, and the results of two useful surveys that have just been published deserve rather more attention than they have yet received. The first was undertaken by the Post Office to ascertain how long most people held their National Savings Certificates. It was found, on a sample of 10,000 applications for encashment, that whilst nearly 12 per cent of certificates were cashed within twelve months, no fewer than 53 per cent were held for their full ten-year life. Moreover, only slightly more than one-half of the certificates held to maturity were then cashed, and some of these encashments were presumably made in order to switch to the more attractive certificates that have been on offer for the last three years. These figures suggest that national savings constitute a surprisingly stable form of thrift.

A far more ambitious—if less authoritative—survey was undertaken by Mr Lydall of the Oxford Institute of Statistics* on the measurement of personal savings as a whole, the form that those savings take and their distribution among different sections of the population. Mr Lydall is dissatisfied with the official estimates of the volume of personal savings, and for two good reasons. First, they are a residual figure (arrived at by subtracting estimates of corporate and government finance from an estimate of total capital formation); secondly, they include certain items such as employers' contributions to pension funds and surpluses of insurance companies that are not personal saving in the generally accepted sense. He therefore attempted a direct estimate of personal savings by investigation of a sample of 2,600 cases, and has now classified his results into three types of personal savings—contractual savings (through life assurance, superannuation schemes or mortgage repayments), cash and other liquid assets, and "miscellaneous" saving (including stock exchange securities and the ploughing back of profits into personal businesses). His conclusion is that over 74 per cent of all "income units" participated in some form of contractual saving. He estimates contractual savings as a whole at nearly £400 million in 1951-52, or some 3 per cent of personal gross income; but this proportion measures the nation's savings habits rather than its thrift, for it was made possible only by large inroads into personal cash balances. Despite miscellaneous saving of £80 million, total saving amounted, on Mr Lydall's definitions, to a mere £90 million in 1951-52.

It is of course difficult to know just how much weight can be given to a survey of this type. Mr Lydall's definition differs from that of the Government's national income

* National Survey of Personal Incomes and Savings: Part IV, Personal Saving and Consumption Expenditure. By H. F. Lydall. Bulletin of the Oxford Institute of Statistics. October/November, 1953.

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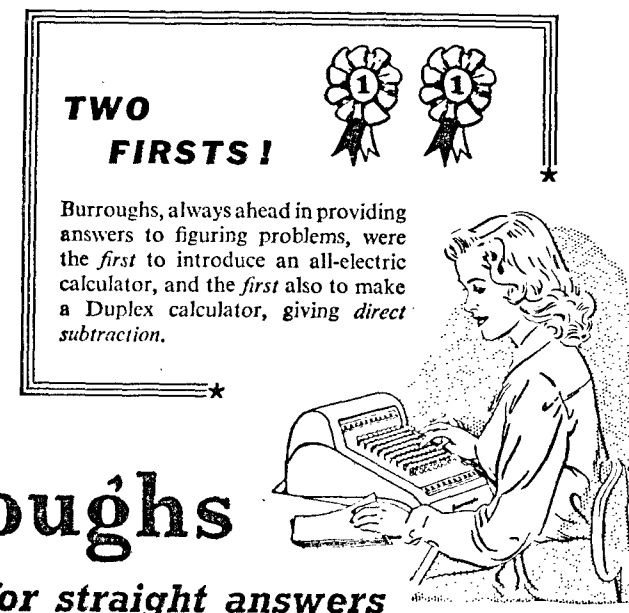
2 The final answer—grand total or net result—appears automatically here when all calculations are complete. No "recapping" needed.

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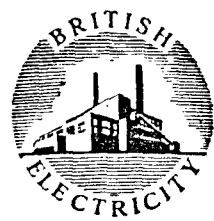
The COST of ELECTRICITY

BRITAIN HAS MORE electrical generating plant than it has ever had before; there is more electricity for everyone.

Britain's demand for electricity is also greater than it has ever been before; the factories, the farms, the homes and the offices are using more electricity—and asking for still more.

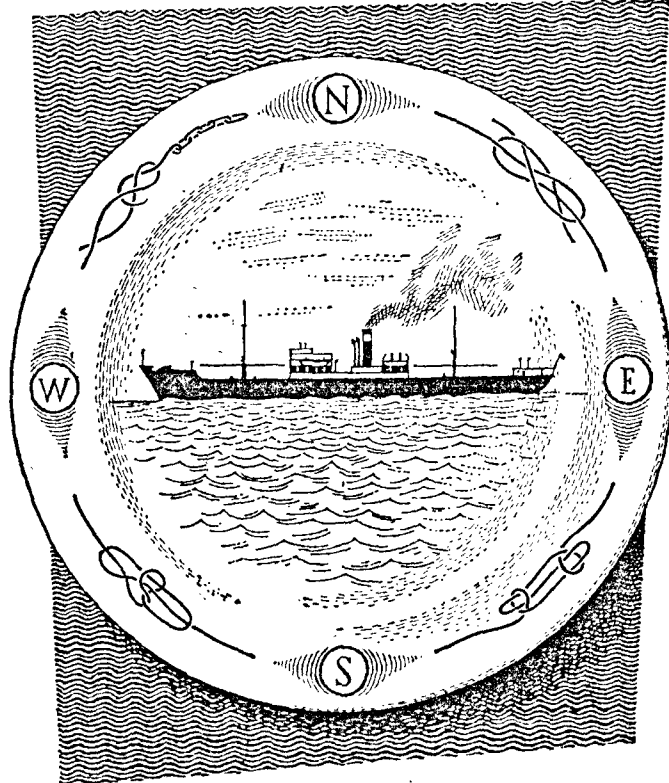
To meet these needs, British Electricity has achieved new records of construction each year. But the plant is giving full output only for short periods once or twice a day. Continuous full operation would reduce the cost of electricity production.

The most effective way to obtain more economical electricity generation is to expand the use of electricity for all purposes—in the home as well as in the factories, in office buildings and on the farms, and for street lighting.



ELECTRICITY

PROSPERITY



SHIP'S PLATE

"It'll sink," they said, when the first iron ship was launched. But it didn't.

Iron was eventually superseded by steel for ship construction and today in shipbuilding more steel plates are used than in any other industry. Usage of steel plate in other directions is, however, developing fast. Since the war, nearly all railway wagons have been largely built of steel plate. The movement and storage of oil calls for immense quantities for storage tanks, pipe lines, road and rail tankers and tanker ships. Tanker ships, which require proportionately more plates than other ships, now form about 50 per cent of our shipbuilding output.

These are some of the reasons for the great rise in the demand for plates and why production has been increased from 1,633,000 tons in 1946 to at least 2,400,000 tons in 1953.

STEEL is at your service

THE BRITISH IRON AND STEEL FEDERATION 563

statisticians; but, if adjusted to the official definition, his estimate of total savings exceeds the estimate in this year's Blue Book by about a third—but that is not a very large difference by the standards of the official statisticians' own perennial revisions. In any case, Mr Lydall's survey should help to give perspective to analyses of savings habits. The role of the lower and middle income groups in the nation's savings must be measured, for example, not by the sum of their insurance contributions, mortgage repayments and the like, but by their net saving—and this Mr Lydall found to be actually negative for gross incomes below £600 a year. Mr Lydall points out that these estimates, like the official ones, rely upon an arbitrary classification of expenditure; for example, outlays on new houses are "saving" but those on new motor cars or furniture are "consumption." Mr Lydall in fact found what common sense already suggested—that there is a strong inverse correlation between "saving" in this sense and expenditure on durable goods.

Wood Pulp Higher Again

PRICES of most grades of Scandinavian wood pulp will be increased by £3 a ton or more for shipments in the first quarter of next year. Such an increase, following one of the same amount in the quarter now ending, is as much a reflection of the continued strength of demand from the paper-making industries in Britain and on the Continent as of the higher prices for logs this season. The Swedish producers have announced an average increase of £3 a ton, some Norwegians are expected to ask about £1 a ton more, and Finnish prices also appear to be above the Swedish level. For bleached sulphite pulp, which is used in the manufacture of fine grades of paper, the Swedes are quoting about £56 a ton, c.i.f. East Coast ports, and for kraft pulp, which is used for making bags and light board, about £42 a ton. The price of bleached rayon pulp, which was not raised in the fourth quarter, is £2 10s. higher at £67 10s. a ton. Mechanical pulp, the basis of newsprint, will remain unchanged in the first six months of 1954 at £27 10s. a dry ton from all Scandinavian producers. Strong sulphite pulp of newsprint quality is £3 higher at about £45 a ton, and this was presumably taken into account when the price of home-produced newsprint in the first half of next year was recently raised by £1 to £51 10s.

Although the new prices of pulp are not popular with British buyers, a good deal of business has already been done. Their effect will be lessened by the fact that only limited quantities of pulp can be shipped from the Baltic when the ports are mostly frozen up. The increase in Scandinavian prices as a whole may nevertheless lead to higher prices for paper, but the small increase in rayon pulp is unlikely to affect the price of yarn. The new levels may also encourage competition in European markets from American producers, who are already finding it difficult to dispose of all their output of rayon pulp on the home market. If these prices are maintained in the second quarter, the Scandinavians will sell a smaller volume of pulp to Britain, their largest market, in the first half of next year. Imports from Scandinavian and North American sources are still limited by licence, and the total value of these licences in the next six months has been slightly reduced by £500,000 to £28,173,000 c.i.f.

Breaking Plywood's Bonds

THE plywood trade is becoming increasingly concerned at the delay in restoring its freedom to import. The reason for the delay is familiar; the Ministry of Materials holds a stock of plywood of some 80 million square feet, worth about £1½ million. This stock has been run down from nearly 400 million at the beginning of this year by a technique analogous to the rightly criticised "condition of sale." Import licences have been issued only on condition that the importer bought a proportionate amount from the Ministry's stocks. For the more desirable specifications of plywood held by the Ministry the present ratio is one to every two of private imports, in terms of value, and for the less desirable it is one to four. The balance of the stock, however, is largely composed of qualities for which there is very little demand at present prices. Meanwhile there is a shortage of certain types of plywood in Britain, and though this is now easing because supplies from Finland and other countries are coming through more quickly, it may reappear in the New Year.

The Minister of Materials, Lord Woolton, has said that he might look more favourably on the trade's plea for freedom if it would take the remaining stock off his hands, and the trade is trying to frame a suitable scheme. It may suggest that the leading importers arrange to take the bulk of the stock, say, 50 million square feet, within three months, if they are offered an inducement in the form of lower prices and a higher ratio of import licences. These importers would no doubt insist that they should be given a few months to dispose of their purchases from the Ministry before imports from all sources other than the dollar area were returned to open general licence. Though this would still leave the Ministry with about 30 million feet of low-grade stock on its hands for a year or more, there is a rough justice in the suggestion that may appeal to Lord Woolton. The present system can hardly be more palatable to him than it is to the trade.

Too Costly a Hedge?

THE low level of futures prices in London relative to the actual prices of wool tops in Bradford, and the large discount on the distant delivery months has led to some criticism of the market. The December position recovered to about 147d. a lb this week, following the steadier trend of raw wool prices; the July position rose to 135d. and December, 1954, to 129½d. A sale of futures in these months would therefore cost a seller 12d. or 17½d. respectively, assuming that the price of the current month had not changed when he came to buy back these hedges just before maturity. In the opinion of some top-makers and woollen manufacturers the discount is greater than is justified by the outlook for raw wool prices and represents too heavy a price to pay for covering against the risk of a fall.

Some topmakers also complain that the low level of futures prices tends to influence the price that buyers of actual tops are willing to pay for forward deliveries, and

that their system of covering purchases of raw wool by forward sales of tops may be impaired. The future course of raw wool prices alone will determine whether the discount on futures in the London market is too great. It has recently narrowed slightly and now compares more closely with that in the other markets. Nevertheless the present position remains very favourable to a buying hedge, and if this encourages more speculative or hedge buying the discount may narrow further.

SHORTER NOTES

The General Services Administration is to reduce its sales of low-grade natural rubber from the American stockpile from about 10,000 tons a month to 5,000 tons. Existing contracts for sales in excess of 5,000 tons will be honoured up to the end of March. American manufacturers will then have to obtain about half of their requirements of these grades from the market, and this should strengthen prices.

Of the \$35 million recently given to Britain for purchases of American commodities under the ordinary provisions of the Mutual Security Act, \$20 million is for raw cotton. Previous allotments have been taken up by the Raw Cotton Commission, but arrangements are now being made for this cotton to be imported privately. Britain has also been allotted another \$20 million for purchases of surplus commodities under section 550 of the Act; \$5 million of this is for prunes. Allotments under this section

now total \$40 million. Negotiations are continuing for the sale of other commodities up to the initial "target" figure of some \$65 million.

Shareholders of Telephone Properties were shocked to learn this week that the \$7.1 million due to be received from the Venezuela Government over the next few years in payment for its purchase of the company's properties in that country will not be disbursed in the form of a partial return of capital. The board, headed by Sir Alexander Roger, proposes to "continue the business in its present form." Since this announcement the £1 ordinary units have slumped from 5½ to 4½—which sufficiently demonstrates that shareholders would rather re-invest these proceeds elsewhere themselves than leave them to swell the responsibilities of the board.

The very considerable flow of labour back into the engineering industries in the early autumn appears to have continued at an undiminished rate in October. During the month the labour force in the "engineering, metal goods and precision instruments" group of industries rose by 16,000, and the vehicles group added another 6,000. Since July employment in these groups has risen by 72,000; this has wiped out the fall since October last year in the engineering group, while employment in the vehicle industries is now 33,000 higher than twelve months ago.

whereby five subsidiaries now carry on entirely the various sections of the group's manufacturing and trading activities. As a consequence of these measures a substantial reduction in taxation liability was expected, and the latest report, for the year

	Years to Sept. 30,	
	1952	1953
Consolidated earnings:—		
Trading profit.....	1,031,245	704,407
Total income.....	1,034,498	704,945
Depreciation.....	155,458	152,989
Taxation provision not required.....	Cr. 65,212	Cr. 957,276
Taxation.....	524,400	485,000
Retained by subsidiaries	84,412	Dr. 104,232†
Net profit (parent co.)..	333,440	1,358,747
Ordinary dividends....	154,584	161,945
Ordinary dividends (per cent).....	15	15
Carry forward.....	529,145	1,721,368
Cons. balance sheet:—		
Fixed assets, less depreciation.....	1,529,810	1,532,835
Net current assets.....	4,738,478	5,285,511
Stocks.....	4,686,187	4,381,459
Cash.....	370,039	425,830
Future taxation.....	746,971	258,000
Capital reserves.....	824,761	760,297
Revenue reserves.....	2,733,589	3,837,085
Ordinary capital.....	1,962,967	1,962,967
† Losses of subsidiaries carried forward.		

ended September 30, 1953, suggests that this expectation has been fulfilled to a considerable extent, for the profit and loss account has been credited with no less than £957,276 representing taxation provisions no longer required. In addition,

	Years to Sept. 30,	
	1952	1953
Consolidated earnings:—		
Trading profit.....	5,424,049	5,681,948
Investment income.....	79,515	59,232
Total profit.....	5,503,564	5,741,180
Depreciation.....	457,633	547,450
Taxation.....	2,908,248	3,045,547
Net profit.....	1,633,129	1,860,200
Total dividends.....	1,178,625	1,303,500
Ordinary dividends (per cent).....	17	18
To reserves.....	428,760	524,077
Carry forward.....	594,384	605,383
Added to group carry forward.....	55,793	10,999

units down 4½d. to 32s. 9d., so that on the new dividend they offer the blue chip yield of £5 9s. 11d. per cent—as much as 2 per cent lower than the return obtainable on many "county" brewery shares.

JOSHUA HOYLE. During the past year, a considerable decentralisation of the Joshua Hoyle group has taken place,

Company Notes

ARTHUR GUINNESS. The recent dividend increases from the brewery companies had encouraged investors in their confident expectation that Guinness would in turn raise its ordinary distribution; the 10s. ordinary stock units had been steadily rising in anticipation of such an increase until in the last fortnight they had been bumping along near their highest level for the year. Hopes have not been dashed; last weekend the directors announced that, following an advance in trading profits from £5,424,049 to £5,681,948, the total equity dividend for the year to September 30th last would be 18 per cent, compared with 17 per cent for 1951-52. This dividend together with payments on the preference stock absorbs £1,303,500 and is paid out of net profits of £1,860,200; despite the further increase in taxation (from £2,908,248 to £3,045,547) these net profits are £176,771 more than those earned in 1951-52.

It seems clear from these figures that Guinness—one of the pioneers of national advertising, which is now a common policy among the leading brewers of bottled beers—has benefited not only from the preference that consumers are now showing for bottled beers over draught, but also

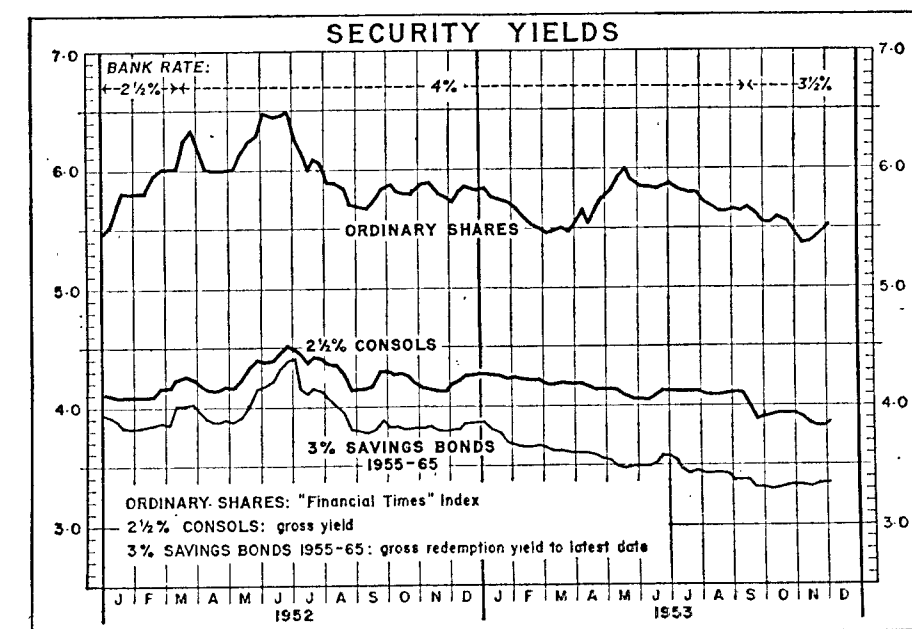
there are credits of £189,104 from EPT repaid, and of £53,970 for EPT Post War Refund. Consequently, although the group's trading profit shows a sharp drop from £1,031,245 to £704,407, its net profit, after providing £485,000 (against £524,400) for current taxation is approximately trebled at £1,254,465 compared with £417,852 in 1951-52. The ordinary dividend is maintained at 15 per cent, and the allocation to General Reserve increased from £350,000 to £400,000. This total impression is rather rosier than the trading figures above would suggest; on the fall in trading profits, the report contains no supplementary information, and in the absence of a chairman's statement, a reasoned appreciation of the trading is not easy; some shareholders might have expected something better than a 30 per cent fall in profits in view of the marked recovery of activity in the textile industries this year. Improvements may be noted in net current assets and cash, also some easing of the stock burden which last year was heavy enough to cause some concern. At their present price of around 3s. 9d., the 2s. ordinary shares yield £8 per cent.

MORE BREWERY PROFITS. A further batch of brewery profits and dividends is summarised in the table below. In most cases, net profits after

tax are fairly comfortably up on last year, and shareholders have enjoyed some share of the recovery. Wolverhampton and Dudley provides a particular exception, for it reports a drop from £244,741 to £239,103 in net profit, but raises the ordinary dividend comparatively generously from 17 per cent to 20 per cent; no doubt the reasons for this generosity will be clarified in the forthcoming report. Among other companies that have followed a more liberal dividend policy is the Blackburn firm of Matthew Brown, who are paying 14 per cent on their new capital as against an equivalent rate of 11 3/7 per cent for the previous year. Dividend increases are also announced by Bristol Brewery Georges and by Leeds and Wakefield. In the case of Mann and Crossman, however, a cautious policy has been pursued: net profits rose from £148,376 to £167,550, but the dividend (£110,000 net) was maintained at 20 per cent, and £60,000 (against £44,000) was placed to reserves at some slight expense to the carry-forward. The dividends of Hammonds United and H. and G. Simonds were also unchanged, causing a substantial drop in the market price of the shares. The wide divergences between the yields shown by this selection of shares are of interest, but market opinion rightly has regard to local factors in the valuation of brewery shares.

	Net Profits after Tax		Ordinary Dividends		Price of Ordinary Shares	Gross Yield on Ordinary Shares
	1952	1953	1952	1953		
Bristol Brewery Georges (£1)	188,602	223,039	17†	18†	76/10½	8 10 4
Brown (Matthew) (5s.).....	157,867	207,708	20(a)	14	9/9	7 3 7
Hammonds United (5s.)....	227,742	227,118	20	20	14/-	7 2 10
Leeds and Wakefield (£1)...	60,452	82,900	17	17(b)	43/9	7 15 5
Mann Crossman (£1).....	148,376	167,550	20	20	52/6	7 12 5
Simonds (H. & G.) (£1).....	217,908	223,234	22	22	51/3xd	8 11 8
Wolverhampton & Dudley (£1)	244,741	239,103	17	20	58/-	6 17 11

† Free of income tax. (a) Equivalent to 11½ per cent on new capital as increased by 75 per cent scrip bonus. (b) Plus 5 per cent Coronation bonus out of capital reserve.



LONDON STOCK EXCHANGE

Next Account begins: December 30th.
Next Contango Day: December 30th.
Next Settlement Day: December 15th.

THE subdued tone prevailing at the end of last week has on the whole continued, apart from some scattered activity, mainly in shares affected by "take-over" news or on which increased dividends have been announced. Gilt-edged started the present week in a dull mood following the announcement of the £10 million New Zealand Government issue, and prices drifted gradually downwards, particularly on Tuesday, when falls of ¼ per cent were fairly general throughout the list. A steadier tendency appeared by mid-week, but not to an extent that could be described as a rally.

In the industrial market all else has been overshadowed by Monday's frenzied dealings in Savoy Hotel shares, which fluctuated between 44s. and 62s., to close at 58s. 6d. By Wednesday's close the price had fallen to 52s. 6d., but fresh activity developed on Thursday morning, pushing the price back to 58s. 6d., though there was a reaction to 55s. 9d. Elsewhere in the industrial market, price changes in the main sections have been generally downwards, though English Sewing Cotton were a bright spot, spurring 6s. 6d. to 59s. 6d. following the forecast of a 20 per cent dividend for the current year and the announcement of a one-for-one scrip issue. On the other hand, the market received an unpleasant shock from the announcement on Tuesday that shareholders in Telephone Properties would receive no cash distribution. The shares promptly slumped 36s. 3d. to 77s. 6d. before recovering to 83s. 9d.

The opening of the three-week account on Wednesday for the first settlement day of 1954 witnessed a general relapse in industrial equities; the *Financial Times* industrial ordinary share index fell to 127.1; its lowest since October 14th, and comparing with 128.0 a week previously.

In other sections of the market, oils have attracted some interest, particularly Apex, following the increased dividend. Kaffirs have been mainly quiet, apart from some mild demand for uranium issues. Rhodesian Coppers have been featureless, though the undertone has been firm.

FINANCIAL TIMES INDICES

1953	Security Indices		Yields	
	Ord.*	Fixed Int.†	2½% Cons.	Ord.
Dec. 2....	128.0	112.47	3.86	5.52
" 3....	128.1	112.50	3.86	5.51
" 4....	127.9	112.51	3.86	5.52
" 7....	128.0	112.46	3.87	5.52
" 8....	127.6	112.37	3.88	5.54
" 9....	127.1	112.37	3.88	5.56
Total bargains				
1953, High.	131.5 (Nov. 4)	112.55 (Nov. 27)	Dec. 2	8,139
" Low..	113.9 (May 20)	105.68 (Jan. 5)	" 3	8,182
			" 4	8,149
			" 7	11,472
1952, High.	121.5 (Jan. 1)	106.66 (Jan. 9)	" 8	9,427
" Low..	103.1 (June 24)	100.67 (July 3)	" 9	8,441

* July 1, 1935=100. † 1928=100.

LONDON ACTIVE SECURITIES

Prices, 1953 Jan 1 to Dec. 9		BRITISH FUNDS AND GUARANTEED STOCKS		Price, Dec. 2, 1953	Price, Dec. 9, 1953	Net Yield, Dec. 9, 1953 %	Gross Yield, Dec. 9, 1953 %	Prices, 1953 Jan. 1 to Dec. 9		Last Two Dividends (a) (b) (c)	ORDINARY STOCKS		Price, Dec. 2, 1953	Price, Dec. 9, 1953	Yield, Dec. 9, 1953 %
High	Low							High	Low						
100 1/2	99 1/2	War Bonds 2 1/2% '52-54	100 1/2	100 1/2	0 18 6	2 2 1 1/2	47/6	32/3	12 1/2	15 c	STEEL & ENGINEERING		42/3*	42/3	7 2 0
100 1/2	98 1/2	Exchequer 2 1/2% 1955	100 1/2	100 1/2	0 18 6	2 2 1 1/2	47/6	32/3	12 1/2	15 c	B.S.A. £1		42/3*	42/3	7 2 0
100 1/2	98 1/2	Exchequer 2 1/2% 1960	100 1/2	100 1/2	0 18 6	2 2 1 1/2	47/6	32/3	12 1/2	15 c	Cammell Laird 5/-		42/3*	42/3	7 2 0
100 1/2	99 1/2	Exchequer 3% '62-63	100 1/2	100 1/2	0 18 6	2 2 1 1/2	47/6	32/3	12 1/2	15 c	Guest Keen N'fold £1		42/3*	42/3	7 2 0
100 1/2	99 1/2	Exchequer 3% '62-63	100 1/2	100 1/2	0 18 6	2 2 1 1/2	47/6	32/3	12 1/2	15 c	United Steel £1		42/3*	42/3	7 2 0
100 1/2	99 1/2	Serial Funding 1 1/2% 1954	100 1/2	100 1/2	0 18 6	2 2 1 1/2	47/6	32/3	12 1/2	15 c	Vickers £1		42/3*	42/3	7 2 0
100 1/2	99 1/2	Serial Funding 2 1/2% 1957	100 1/2	100 1/2	0 18 6	2 2 1 1/2	47/6	32/3	12 1/2	15 c	Bradford Dyers £1		42/3*	42/3	7 2 0
100 1/2	99 1/2	Serial Funding 3% 1955	100 1/2	100 1/2	0 18 6	2 2 1 1/2	47/6	32/3	12 1/2	15 c	Brit. Celanese 10/-		42/3*	42/3	7 2 0
100 1/2	99 1/2	War Bonds 2 1/2% '54-56	100 1/2	100 1/2	0 18 6	2 2 1 1/2	47/6	32/3	12 1/2	15 c	Coats (J. & P.) £1		42/3*	42/3	7 2 0
100 1/2	99 1/2	Funding 2 1/2% '52-57	100 1/2	100 1/2	0 18 6	2 2 1 1/2	47/6	32/3	12 1/2	15 c	Courtaulds £1		42/3*	42/3	7 2 0
100 1/2	99 1/2	Nat. Def. 3% '54-58	100 1/2	100 1/2	0 18 6	2 2 1 1/2	47/6	32/3	12 1/2	15 c	Lanes Cotton £1		42/3*	42/3	7 2 0
100 1/2	99 1/2	War Loan 3% '55-59	100 1/2	100 1/2	0 18 6	2 2 1 1/2	47/6	32/3	12 1/2	15 c	Patons & Baldwins £1		42/3*	42/3	7 2 0
100 1/2	99 1/2	Savings Bonds 3% '55-65	100 1/2	100 1/2	0 18 6	2 2 1 1/2	47/6	32/3	12 1/2	15 c	Assoc. Elect. £1		42/3*	42/3	7 2 0
100 1/2	99 1/2	Funding 2 1/2% '56-61	100 1/2	100 1/2	0 18 6	2 2 1 1/2	47/6	32/3	12 1/2	15 c	Brit. Insulated £1		42/3*	42/3	7 2 0
100 1/2	99 1/2	Funding 3% '59-69	100 1/2	100 1/2	0 18 6	2 2 1 1/2	47/6	32/3	12 1/2	15 c	English Elect. £1		42/3*	42/3	7 2 0
100 1/2	99 1/2	Funding 3% '66-68	100 1/2	100 1/2	0 18 6	2 2 1 1/2	47/6	32/3	12 1/2	15 c	General Elect. £1		42/3*	42/3	7 2 0
100 1/2	99 1/2	Funding 4% '60-70	100 1/2	100 1/2	0 18 6	2 2 1 1/2	47/6	32/3	12 1/2	15 c	MOTOR & AIRCRAFT		42/3*	42/3	7 2 0
100 1/2	99 1/2	Savings Bonds 3% '60-70	100 1/2	100 1/2	0 18 6	2 2 1 1/2	47/6	32/3	12 1/2	15 c	Bristol Aero 10/-		42/3*	42/3	7 2 0
100 1/2	99 1/2	Savings Bonds 2 1/2% '64-67	100 1/2	100 1/2	0 18 6	2 2 1 1/2	47/6	32/3	12 1/2	15 c	British Motor 5/-		42/3*	42/3	7 2 0
100 1/2	99 1/2	Victory 4% '20-76	100 1/2	100 1/2	0 18 6	2 2 1 1/2	47/6	32/3	12 1/2	15 c	De Havilland £1		42/3*	42/3	7 2 0
100 1/2	99 1/2	Savings Bonds 3% '65-75	100 1/2	100 1/2	0 18 6	2 2 1 1/2	47/6	32/3	12 1/2	15 c	Ford Motor £1		42/3*	42/3	7 2 0
100 1/2	99 1/2	Consols 4% aft. Feb. '57	100 1/2	100 1/2	0 18 6	2 2 1 1/2	47/6	32/3	12 1/2	15 c	Hawker Siddeley £1		42/3*	42/3	7 2 0
100 1/2	99 1/2	Conv. 3 1/2% aft. April '61	100 1/2	100 1/2	0 18 6	2 2 1 1/2	47/6	32/3	12 1/2	15 c	Leyland Motors £1		42/3*	42/3	7 2 0
100 1/2	99 1/2	Treas. 2 1/2% aft. April '75	100 1/2	100 1/2	0 18 6	2 2 1 1/2	47/6	32/3	12 1/2	15 c	Raleigh Ind. £1		42/3*	42/3	7 2 0
100 1/2	99 1/2	Treas. 3% aft. April '66	100 1/2	100 1/2	0 18 6	2 2 1 1/2	47/6	32/3	12 1/2	15 c	Rolls Royce £1		42/3*	42/3	7 2 0
100 1/2	99 1/2	Treas. 3 1/2% '77-80	100 1/2	100 1/2	0 18 6	2 2 1 1/2	47/6	32/3	12 1/2	15 c	Standard Motor 5/-		42/3*	42/3	7 2 0
100 1/2	99 1/2	Treas. 3 1/2% '79-81	100 1/2	100 1/2	0 18 6	2 2 1 1/2	47/6	32/3	12 1/2	15 c	SHOPS & STORES		42/3*	42/3	7 2 0
100 1/2	99 1/2	Redemption 3% '86-96	100 1/2	100 1/2	0 18 6	2 2 1 1/2	47/6	32/3	12 1/2	15 c	Boots Pure Drug 5/-		42/3*	42/3	7 2 0
100 1/2	99 1/2	War L'n 3 1/2% aft. Dec. '52	100 1/2	100 1/2	0 18 6	2 2 1 1/2	47/6	32/3	12 1/2	15 c	Debenhams 4/-		42/3*	42/3	7 2 0
100 1/2	99 1/2	Consols 2 1/2%	100 1/2	100 1/2	0 18 6	2 2 1 1/2	47/6	32/3	12 1/2	15 c	Lyons (J.) "A" £1		42/3*	42/3	7 2 0
100 1/2	99 1/2	Br. Elec. 3% '68-73	100 1/2	100 1/2	0 18 6	2 2 1 1/2	47/6	32/3	12 1/2	15 c	Marks & Spen. "A" 5/-		42/3*	42/3	7 2 0
100 1/2	99 1/2	Br. Elec. 3% '74-77	100 1/2	100 1/2	0 18 6	2 2 1 1/2	47/6	32/3	12 1/2	15 c	Woolworth 5/-		42/3*	42/3	7 2 0
100 1/2	99 1/2	Br. Elec. 4 1/2% '74-79	100 1/2	100 1/2	0 18 6	2 2 1 1/2	47/6	32/3	12 1/2	15 c	Anglo-Iranian £1		42/3*	42/3	7 2 0
100 1/2	99 1/2	Br. Elec. 3 1/2% '76-79	100 1/2	100 1/2	0 18 6	2 2 1 1/2	47/6	32/3	12 1/2	15 c	Burmah Oil £1		42/3*	42/3	7 2 0
100 1/2	99 1/2	Br. Trans. 3% '78-88	100 1/2	100 1/2	0 18 6	2 2 1 1/2	47/6	32/3	12 1/2	15 c	Royal Dutch 100 fl.		42/3*	42/3	7 2 0
100 1/2	99 1/2	Br. Trans. 3% '68-73	100 1/2	100 1/2	0 18 6	2 2 1 1/2	47/6	32/3	12 1/2	15 c	Shell Reg. £1		42/3*	42/3	7 2 0
100 1/2	99 1/2	Br. Trans. 4% '72-77	100 1/2	100 1/2	0 18 6	2 2 1 1/2	47/6	32/3	12 1/2	15 c	Triunad L'holds 5/-		42/3*	42/3	7 2 0
100 1/2	99 1/2	Br. Gas 3% '90-95	100 1/2	100 1/2	0 18 6	2 2 1 1/2	47/6	32/3	12 1/2	15 c	Cunard £1		42/3*	42/3	7 2 0
100 1/2	99 1/2	Br. Gas 3 1/2% '69-71	100 1/2	100 1/2	0 18 6	2 2 1 1/2	47/6	32/3	12 1/2	15 c	P. & O. Def. £1		42/3*	42/3	7 2 0
100 1/2	99 1/2	Br. Gas 4% '69-72	100 1/2	100 1/2	0 18 6	2 2 1 1/2	47/6	32/3	12 1/2	15 c	Royal Mail £1		42/3*	42/3	7 2 0

(e) To earliest date. (f) Flat yield. (h) To latest date. (s) Net yields are calculated after allowing for tax at 9s. 6d. in £. * Ex dividend. † Assumed average life 12 years approximately.

Prices, 1952 Jan. 1 to Dec. 9		TRUSTEE STOCKS AND FOREIGN BONDS		Price, Dec. 2, 1953	Price, Dec. 9, 1953	Yield, Dec. 9, 1953 %
High	Low					
88 1/2	81 1/2	Aust. 3 1/2% '65-69	91 1/2	91 1/2	3 18 5 1/2	5 1/2
92 1/2	86 1/2	N. Zealand 3 1/2% '62-65	95 1/2	95 1/2	3 15 4 1/2	5 1/2
98 1/2	89 1/2	S. Africa 3 1/2% '54-59	98 1/2	98 1/2	3 17 7 1/2	5 1/2
68 1/2	60 1/2	L.C.C. 3% aft. 1920	73	73	4 2 2 1/2	60/3
91 1/2	84 1/2	Liverpool 3% '54-64	94 1/2	94 1/2	3 10 0 1/2	58 1/2
103 1/2	97 1/2	P.L.A. 3 1/2% '66-71	93	93	4 1 3 1/2	51 1/2
68 1/2	61 1/2	Agric. Mort. 5% '59-89	102 1/2	102 1/2	4 12 3 1/2	66 1/2
13 1/2	5 1/2	Austria 4 1/2% '54-59	76	75 1/2	4 9 5 1/2	66 1/2
68 1/2	43 1/2	Chinese 5% 1913	131	131	Nil	Nil
85 1/2	45 1/2	German 5%	68 1/2	67 1/2	...	...
145 1/2	103 1/2	German 4 1/2%	95 1/2	94 1/2	...	...
		Japan 5% 1907	135	134	...	...

Prices, 1953 Jan. 1 to Dec. 9		ORDINARY STOCKS		Price, Dec. 2, 1953	Price, Dec. 9, 1953	Yield, Dec. 9, 1953 %
High	Low					
45/8	36/4	BANKS & DISCOUNT				
60/1 1/2	46/3	Barclays "B" £1	44/-	44/6	4 9 11 1/2	9 1/2
80/-	64/-	Lloyds "A" £5, £1 pd.	57/6	57/6	4 3 6	6
77/6	59/3	Midland £1, fully pd.	79/-	79/-	4 1 0	4
87/6	70/-	N. Prov. "B" £5, £1 pd.	77/6	77/-	4 3 3	3
91/3	67/6	Westminster £4, £1 pd.	89/-	86/6	4 3 3	3
55/-	41/4 1/2	Alexanders £2, £1 pd.	89/-	89/-	3 18 8	8
49/9	39/-	Nat. Disc. "B" £1	54/-	54/6	3 13 5	5
40/-	32/3	Union Disc. £1	45/6	45/6	4 7 11	11
49/-	39/3	Barc. (D.C. & O.) "A" £1	39/-	38/-	4 4 3	3
		Chart. Bk. of India £1	42/-	42/6	6 11 9 1/2	9 1/2
		INSURANCE				
9 1/2	7 1/2	Leg. & Gen. £1, 5/- pd.	91*	91*	3 14 0	4
22 1/2	17 1/2	20th Pearl £1, fully pd.	21 1/2	21 1/2	5 0 4	4
39 1/2	32 1/2	Prudential "A" £1	37 1/2	37 1/2	5 1 2	2
		BREWERS, ETC.				
131/6	114/9	Bass £1	128 1/4	126 1/10	6 15 7	7
18/4 1/2	15/9 1/2	Distillers 4/-	18/-	17/9	5 1 5	1
33/7 1/2	27/-	Guinness 10/-	33/-	33/-	5 3 0	3
10/-	8/-	Ind Coope 5/-	8/9*	8/6	7 1 2	2

† Free of tax. Yield calculated on gross basis. (a) Interim dividend. (b) Final dividend. (c) Whole year's dividend. (d) Yield at 7 1/2% of face value. (e) To earliest date. (f) Flat yield. (g) Includes 2% centenary bonus; yield basis 14%. (h) Also 2% tax free cash bonus; yield basis 18 1/2%. (i) 12% paid for 9 months; yield basis 16%. (j) Also 5% Coronation bonus, not included in yield. (k) To latest date. (l) Yield basis 10% after capital bonus. (m) Yield basis 11 1/2% after capital bonus. (n) Also 5% net capital distribution, not included in yield. (o) Yield basis 20%. (p) Yield basis 15% after capital bonus. (q) Yield basis 12 1/2% after capital bonus. (r) Yield basis 19 1/2% gross. (s) Yield basis 30%. (t) Yield basis 7 1/2%. (u) Also 2 1/2% tax free out of capital profit. Yield basis 50%.

New York Closing Prices

	Dec. 2	Dec. 9		Dec. 2	Dec. 9		Dec. 2	Dec. 9
Balt. & Ohio	21 1/2	20 1/2	Am. Smelting	30 1/2	30	Inter. Paper	53 1/2	53 1/2
Can. Pac.	23 1/2	22 1/2	Am. Viscose	37 1/2	36	Nat. Distill.	19 1/2	18 1/2
N.Y. Cent.	20 1/2	19 1/2	Cel. of Amer.	20 1/2	20 1/2	Sears Roebuck	62 1/2	61 1/2
Pennsyl.	18 1/2	17 1/2	Chrysler	63 1/2	61 1/2	Shell	76 1/2	75 1/2
Amer. Tel.	157 1/2	157 1/2	Gen. Elec.	90 1/2	87 1/2	Std. Oil of N.J.	72 1/2	72 1/2
Stand. Gas	12 1/2	13 1/2	Gen. Motor	60 1/2	60 1/2	U.S. Steel	39 1/2	39 1/2
United Corp.	4 1/2	5	Goodyear	53 1/2	52 1/2	Westinghouse	52 1/2	50 1/2
W. Union Tel.	43 1/2	42 1/2	Inter. Nickel	36 1/2	36	Woolworth	43 1/2	43 1/2

* Ex dividend.

Statistics

The following list shows the most recent date on which each statistical page appeared.

BRITISH		OVERSEAS	
Prices and Wages.....	Dec. 5th	Western Europe : Production and Trade.....	Dec. 5th
Production and Consumption	This week	British Commonwealth	This week
Manpower.....	Nov. 21st	Western Europe : Prices and Money Supply	Nov. 21st
External Trade.....	Nov. 28th	United States	Nov. 28th
Financial Statistics	This week		
Industrial Profits.....	Oct. 17th		
	World Trade.....		

UK Production and Consumption

M=Monthly averages or calendar months. W=Weekly averages. Stocks at end of period.

|--|

British Commonwealth

PRODUCTION OF FUEL AND POWER ⁽¹⁾

Monthly averages or calendar months	Coal				Crude petroleum		Electricity				
	Australia	Canada	India	S. Africa	Canada	Pakistan	Australia	Canada	India	N. Zealand	S. Africa
	'000 tons						million kwh				
1933.....	973	805	2,362	1,305	74	...	363	2,180	...	118	478
1951.....	1,468	1,216	2,869	2,142	508	12.5	875	4,785	...	288	972
1952.....	1,620	1,153	3,019	2,235	646	14.7	942	5,149	489	301	1,045
1953.....	1,469	939	2,912	2,279	854	15.2	1,160	5,265	549	298	1,134
June.....	1,761	917	2,754	2,343	1,017	17.2	1,222	5,181	588	319	1,191
July.....	1,697	676	2,748	2,307	1,048	12.9	1,198	5,089	588	321	1,189
August.....	...	1,010	2,972	2,276	...	...	...	...	...	299	1,122
September.....	...	...	...	...	...	...	...	...	...	...	...

PRIMARY PRODUCTION ⁽²⁾

Monthly averages or calendar months	Copper		Rubber		Tin	Steel				Gold		
	Canada	N. Rhodesia	Ceylon	Malaya	Malaya	Australia	Canada	India	S. Africa	Australia	Canada	S. Africa
	'000 tons									'000 fine ounces		
1938	17.7	17.7	4.2	30.0	5.31	100	96	78	25	132.7	394	1,013.4
1951	18.1	25.9	8.8	50.4	5.49	122	265	125	83	74.6	366	959.7
1952	17.2	25.1	8.0	48.7	5.24	137	277	132	103	81.9	373	983.3
1953	18.8	32.0	7.5	44.4	4.16	172	315	115	110	96.5	362	969.8
June	16.8	31.0	6.5	50.7	5.91	179	288	104	109	79.6	368	1,030.1
July	16.2	28.8	9.5	51.1	5.77	178	302	100	112	107.1	329	1,017.4
August	11.7	25.5	8.5	47.5	4.51	161	294	...	...	...	...	1,000.9
September	12.7	31.6	7.5	50.0	4.88	175	...	...	...	...	...	1,015.9
October												

EXTERNAL TRADE ⁽³⁾

Monthly averages or calendar months	Australia		Canada		India		New Zealand		Pakistan		S. Africa	
	Imports	Exports	Imports	Exports	Imports	Exports	Imports	Exports	Imports	Exports	Imports	Exports
	mn. £A		mn. C\$		mn. rupees		mn. £NZ		mn. rupees		mn. £SA	
1938.....	10.6	11.8	56	71	...	...	4.62	4.76	...	...	7.97	2.71
1951.....	61.8	81.8	340	330	...	...	17.21	20.61	...	...	39.17	28.82
1952.....	87.5	55.7	336	363	...	...	21.04	20.00	...	...	34.83	28.02
1953.....	42.0	74.6	406	416	...	...	16.06	23.36	...	...	33.03	24.54
June.....	52.1	76.7	405	398	...	...	17.62	13.00	...	...	38.46	26.40
July.....	52.2	48.7	347	347	...	...	15.22	12.26	...	...	36.18	24.19
August.....	53.1	59.7	373	344	...	...	...	13.98	...	...	34.36	29.45
September.....	...	...	...	...	...	...	...	...	...	...	...	...
October.....	...	...	...	...	...	...	...	...	...	...	...	...

EXCHANGE RESERVES AND PRICES ⁽⁴⁾

Monthly averages or calendar months	Gold and Foreign Exchange Holdings					Cost of Living						
	Australia	Canada	India	New Zealand	S. Africa	Australia	Canada	India	New Zealand	Pakistan	S. Africa	S. Rhodesia
	End of period: mn. US dollars					1948 = 100						
1938.....	214	220	485	41	259	69	66	...	72	...	68	71
1951.....	1,016	1,826	1,888	127	385	146	118	...	119	99	116	122
1952.....	944	1,864	1,729	120	381	170	121	...	129	101	126	133
1953.....	...	1,756	1,745	221	306	177	119	...	112	110	131	137
June.....	...	1,761	1,726	221	282	...	120	...	113	111	130	137
July.....	...	1,771	1,716	220	260	...	120	...	...	112	132	138
August.....	...	1,791	1,732	219	265	...	121	...	...	113	133	137
September.....	...	1,788	1,720	210	260	...	121	...	...	...	...	137
October.....	...	...	...	...	...	...	...	...	...	...	...	...

⁽¹⁾ Petroleum production in Canada in 1938 and 1951 includes natural gasoline. Annual figures of electricity production in Australia are for 12 months ended June 30th of year stated and for New Zealand 12 months beginning April 1st; monthly figures for New Zealand represent about 87 per cent of total generation. ⁽²⁾ Copper production is smelter; tin is primary metal. ⁽³⁾ General trade (including re-exports) except for Canada, which is special trade only. Imports are c.i.f. except for Australia, Canada and S. Africa which are f.o.b.; exports are f.o.b. Trade for India and Pakistan includes that going by land; annual figures for India are for 12 months beginning April 1st of year stated and for Australia and Pakistan 12 months ended June 30th. ⁽⁴⁾ Gold and foreign exchange holdings are those of the government and central bank; only figures for Australia include holdings of commercial banks. Cost of living for Pakistan is based on 12 months ended March, 1949, as 100 for S. Africa relates to Europeans only. ⁽⁵⁾ Average of second quarter.

EXCHEQUER RETURNS

For the week ended December 5th there was an "above-line" deficit (after allowing for Sinking Funds) of £44,569,000 compared with a deficit of £7,422,000 in the previous week and a deficit of £24,243,000 in the corresponding period last year, bringing the cumulative deficit to £408,591,000 (£423,709,000 in 1952-53). Net expenditure "below-line" absorbed £3,128,000, bringing the total cumulative deficit to £690,840,000 (£797,304,000 in 1952-53).

£'000	Estimate, 1953-54	April 1, 1952 to Dec. 6, 1952	April 1, 1952 to Dec. 5, 1953	Week ended Dec. 6, 1952	Week ended Dec. 5, 1953
Ord. Revenue	1782,250	595,186	572,237	10,243	11,855
Income Tax.....	127,000	45,100	43,700	1,500	1,500
Corporation Tax.....	160,000	102,300	111,400	3,800	4,200
Death Duties.....	52,000	33,750	37,100	1,000	1,000
Stamps.....	214,000	276,800	137,800	6,500	1,900
Profits Tax & F.P.T.	99,500	...	45,650	...	1,300
Excess Profits Levy	1,000	1,210	670	100	50
Special Contribution	...	...	...	...	...
and other Inland Revenue.....	...	...	...	...	...
Total Inland Rev.	2435,750	1054,346	948,557	23,143	21,605
Customs.....	1044,300	714,854	730,649	22,270	20,266
Excise.....	680,480	516,468	513,685	6,750	7,335
Total Customs and Excise	1724,780	1231,322	1244,334	29,020	27,601
Motor Duties.....	69,000	15,725	17,830	285	225
P.O. (net receipts).....	2,685	...	4,100	...	400
Broadcast Licences.....	16,000	8,250	9,200	...	...
Sundry Loans.....	25,000	19,747	19,938	370	59
Miscellaneous.....	95,000	84,801	88,144	7,337	1,663
Total	4368,215	2414,191	2332,103	60,155	51,553
Ord. Expenditure	615,000	406,188	411,388	34,161	33,510
Debt Interest.....	...	...	...	...	...
Payments to N. Ireland Exchequer.....	48,000	27,270	32,029	2,132	1,712
Other Cons. Fund.....	10,000	5,856	5,530	245	...
Supply Services.....	3586,285	3375,277	2268,561	46,200	59,700
Total	4259,286	2814,591	2717,509	82,739	94,923
Sinking Funds.....	...	23,310	23,186	1,660	1,200
"Above-line" Surplus or Deficit	...	423,709	-408,591	24243	-44569
"Below-line" Net Expenditure	...	373,595	282,249	5,056	3,128
Total Surplus or Deficit	...	-797,304	-690,840	-29299	-47697
Net Receipts from:	...	...	...	...	...
Tax Reserve Certificates.....	113,176	196,445	8,945	9,240	...
Savings Certificates.....	200	10,650	500	300	...
Debt Bonds.....	-39,172	-32,787	-811	8	...

FLOATING DEBT

Date	Treasury Bills		Ways and Means Advances		Total Floating Debt
	Tender	Tap	Public Depts.	Bank of England	
1952 Dec. 5.....	4,567.5	249.1	3.8	4,820.3	...
1953 Sept. 5.....	3,370.0	1,414.0	219.2	5,003.2	...
" 12.....	3,400.0	1,395.8	251.7	5,047.5	...
" 19.....	3,430.0	1,382.1	280.0	5,092.2	...
" 30.....	4,803.1	273.4	...	5,076.5	...
Oct. 10.....	4,525.8	245.9	...	4,771.7	...
" 17.....	4,552.2	262.2	...	4,814.3	...
" 24.....	4,550.4	264.1	...	4,814.5	...
" 31.....	4,538.1	254.9	1.3	4,794.3	...
Nov. 7.....	4,535.2	250.0	...	4,785.2	...
" 14.....	4,531.7	253.9	...	4,785.6	...
" 21.....	4,604.2	268.8	...	4,873.0	...
" 28.....	4,620.5	254.0	...	4,875.1	...
Dec. 5.....	4,674.4	342.5	...	4,916.9	...

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

Financial Statistics

THE MONEY MARKET

LOMBARD STREET has had yet another comfortable week; it is, indeed, some time since it had to face any general stringency. On every day of the week covered by Wednesday's Bank return, credit supplies were adequate for the market's needs, without the aid of official purchases; and, except on Saturday and Wednesday, the authorities actually found it necessary to mop up surplus credit by selling bills. Outside loans against bonds were at times available down to 1½ per cent. Throughout the week, late January maturities changed hands at 2½ per cent and February maturities at 2½ per cent.

Despite the easy credit conditions, the market at last week's Treasury bill tender again refrained from raising its bid. However, as the offer was up by £10 million to £250 million, whilst applications rose by only £5½ million to £374 million, the market's allotment rose from 50 to 55 per cent. At yesterday's tender, the bill offer remained at £250 million.

The Bank return shows the heavy seasonal outflow of notes of £31.4 million, but this was only fractionally more than that for the equivalent week of last year; the rise in the active circulation since the seasonal low point in mid-October is, at £67 million, still slightly lower than the outflow of £69 million in the corresponding period of 1952. Government securities in the banking department rose by £18.2 million despite the fall of £11.7 million in the Treasury special account, so that the effective release of credit under this head was almost £30 million, but public accounts rose by £4.9 million, so that bankers' deposits fell by only £3.1 million.

LONDON MONEY RATES

Bank rate (from 4% 17/9/53)	%	Discount rates		%
		Bank bills	60 days	
Deposits (max)	1½	3 months	2½	2½
Banks	1½	4 months	2½	2½
Discount houses	1½	6 months	2½	2½
Money—Day-to-day	13-21	Fine trade bills:		
Short periods.....	12-21	3 months	3½-4½	
Treas. bills 2 months	2½	4 months	3½-4½	
3 months	2½	6 months	4-4½	

BANK OF ENGLAND RETURNS

	£ million		
	1952 Dec. 10	1953 Dec. 2	1953 Dec. 9
Issue Department:			
Notes in circulation.....	1,512.7	1,566.6	1,598.0
Notes in banking dept.....	37.6	58.8	27.4
Govt debt and securities.....	1,546.7	1,621.8	1,621.7
Other securities.....	0.8	0.7	0.7
Gold coin and bullion.....	2.9	2.9	2.9
Banking Department:			
Deposits:			
Public accounts.....	14.8	9.4	14.3
Treasury special accounts.....	16.0	18.9	7.2
Bankers'.....	273.8	290.2	287.1
Others.....	71.2	70.7	68.2
Total.....	375.8	389.2	376.8
Securities:			
Government.....	332.4	324.8	343.1
Discounts and advances.....	8.6	7.7	8.1
Other.....	13.6	13.6	13.9
Total.....	354.6	346.1	365.1
Banking department reserve.....	39.1	61.2	29.8
"Proportion".....	10.4	15.7	7.9

* Government debt is £11,015,100, capital £14,553,000. Fiduciary issue raised from £1,575 million to £1,625 million on December 2, 1953.

TREASURY BILLS

Date of Tender	Amount (£ million)			Average Rate of Allotment		Allotted at Max. Rate %
	Offered	Applied For	Allotted	s.	d.	
1952 Dec. 5	260.0	332.8	260.0	47	8.38	73
1953 July 24	240.0	375.6	240.0	46	11.89	55
" 31	250.0	395.5	250.0	46	11.66	48
Aug. 7	260.0	369.6	260.0	47	3.50	56
" 14	270.0	347.9	270.0	47	4.37	71
" 21	270.0	358.2	270.0	47	4.25	67
" 28	280.0	370.2	280.0	46	8.25	77
Sept. 4	300.0	394.6	300.0	47	7.43	66
" 11	300.0	388.0	300.0	47	11.85	68
" 18	280.0	340.6	280.0	43	0.06	80
" 25	270.0	362.2	270.0	42	8.05	70
Oct. 2	280.0	348.2	250.0	42	8.09	63
" 9	250.0	359.5	230.0	42	7.36	49
" 16	230.0	367.7	230.0	41	11.57	51
" 23	240.0	353.2	240.0	41	11.67	55
" 30	240.0	385.9	240.0	41	11.37	45
Nov. 6	220.0	392.5	220.0	41	10.62	34
" 13	230.0	372.9	230.0	41	11.48	46
" 20	230.0	374.5	230.0	41	10.92	43
" 27	240.0	368.4	240.0	41	11.45	50
Dec. 4	250.0	374.0	250.0	41	11.72	55

BARCLAYS BANK (DOMINION, COLONIAL AND OVERSEAS)

EFFECT OF LOWER PRICES

The twenty-eighth ordinary general meeting of Barclays Bank (Dominion, Colonial and Overseas) will be held on December 29th in London. The following are extracts from the circulated statement of the chairman, Mr J. S. Crossley:

During our last financial year, which ended on September 30th, we opened 75 new offices in different parts of the world. Your business is still a "live" one and the range and scope of its activities are not diminishing.

Turning to the balance sheet, the variations which are reflected here do not give the impression that any marked change has taken place in the Bank's position, in spite of the fluctuations in commodity prices and interest rates which we have witnessed in the past twelve months. Although deposits have increased and stand at the highest figure we have so far recorded, the items represented by cash and money at call still exceed 20 per cent of the Bank's total liabilities to the public.

ALLOCATIONS FROM PROFITS

Turning now to the profit and loss account, I suggested last year that the lower prices then ruling for the staple export products of so many of the territories served by the Bank must adversely affect our results. The actual decline in the net profit shown would, however, have been more marked had it not been for a slight, but welcome, decrease in the rate of tax payable. We have transferred £150,000 to premises reserve account and £300,000 to the reserve fund. The latter amount has been supplemented by £200,000 which we have been able to release from contingency account, being provision no longer required. After effecting these transfers our reserve fund stands at £8 million.

You will notice the reduction in the figure for acceptances, etc., which is to some extent a reflection of the lower prices. The financing of the exports of these commodities during the year just past has brought us less profit.

THE OUTLOOK

If it was difficult last year to predict the course of events with any confidence, the task today is still more formidable. I suggested that we might look back on 1952 as a turning point marking approximately the end of the sellers' market, which had dominated postwar conditions. It is true that many prices have fallen, and some appear to have reached stability at the lower levels now ruling; some again seem to be recovering, while others still are falling. There is no longer any pronounced general trend in a particular direction. Superimposed upon this striking change in the economic climate, however, there has recently been some change in the political climate also, and the one reacts upon the other. Strange and wrong though it may seem, there is no doubt that the lessening of international tension, however slight and whether justified or not, has recently been the cause of market uncertainty, which in its turn has created some anxiety. It is against this background of uncertainty that our policies now have to be considered.

During the past twelve months, the change in our course has become clearer to see.

Little by little, those physical controls which were the inheritance from the war period are being abolished. More flexibility has been introduced, and the breath of freedom has begun to fill our sails. Let there be no mistake about it, this is an immeasurable gain. We may hope, too, that it is an earnest of more to come.

There may be a tendency to forget that we now have, increasingly, to think and act for ourselves, and to use any talents that we may possess to the best advantage. It is an ironical thought that some of those who were crying the loudest for the abolition of controls may feel somewhat lost without them. If this is a consequence of having been controlled for so long, then it is high time we learned to use our freedom again and to remember that governmental action cannot be expected to do more than create conditions favourable to the development of human industry and enterprise.

NEED FOR ECONOMIES

A beginning has been made in the great task of re-creating these conditions, but it is only a beginning. We still hear far too little about the real economies which are essential in order that taxation may be reduced to a reasonable level. The present level is not reasonable and cannot be sustained indefinitely without disaster. Under our present system it is having the effect of eroding our assets at home and also overseas where companies subject to United Kingdom tax suffer a damaging handicap; and so our vitality is being sapped.

Unless we economise, so as to make room for real saving, we shall not have capital for investment, which means in its turn that we shall be unable to find the resources which are needed for Empire development overseas. This shortage of capital is a crucial matter arising from the fact that we are spending more than we can afford, or, in other words, consuming too much of our production as we go along.

CONVERTIBILITY

Finally, I would say one brief word on a subject which is, perhaps, the most important, and certainly one of the most discussed topics of the day. We have to find a means of achieving a state of affairs in which the great trading area, based on the pound, can work freely with the other great trading area, based on the dollar. Much has been said and written on the subject of convertibility. Although the extent of the reserves that would be needed to bring this about is an important consideration, it is by no means the only one. It seems to me that the arguments have centred too exclusively on this point. We must not forget that whatever figure our reserves might reach, or however large the credits that might be arranged, they will certainly prove inadequate unless the underlying policies are sound. If the two areas follow mutually incompatible policies, based on faulty economics, no truly effective "arrangement" will ever be possible between them. On the other hand, if they were to be founded on mutual trust and a real understanding of the basic principles of trade, then I believe "convertibility" could not only be achieved, but achieved soon.

BANK OF MONTREAL

RECORD FIGURES

The one hundred and thirty-sixth annual general meeting of the Bank of Montreal was held on December 7th in Montreal.

Mr Gordon R. Ball, the president, in the course of his speech, said:

Broadly, it has been another year of expanding activity. But it must also be said that the business landscape has begun to show a more varied pattern of light and shade. Some industries, particularly those dependent on export markets, have been encountering difficulties. Competition has been keener, both in domestic and international trade. In brief, we seem to have passed from a situation in which nearly all business influences were buoyant to one in which the normal hazards of enterprise are once more apparent.

Looking abroad, the year has been featured by a number of welcome developments. There has been some easing of international tension, although whether that betokens a break in the weather or the deceptive calm before another squall remains to be seen.

A particularly welcome move in Anglo-Canadian financial relationships has been the revision of arrangements for repayment of the balance of the interest-free loan made by Canada to the United Kingdom in 1942.

The real measure of improvement that has taken place in the sphere of international trade and finance during the past year presents for the countries of the free world a great opportunity for further bold advances towards closer and freer trading relationships and thus towards more intensive and economic use of resources. It would be tragic if, just at the time when the military and political defences of nations of goodwill were being strengthened, the economic gains of the recent past were to be lost.

It is up to all of us, in all countries, who stand with private enterprise, to demonstrate here and now that the system that we rightly believe produces most and contributes most fully to well-being does not inevitably beget periods of slump and mass unemployment. It is a time that places particular demands on the analytical ability and common sense of our branch managers and other officers who are daily confronted with the requests of borrowers large and small. Our definition of "constructive" assistance does not include the financing of projects where the basic fundamentals of credit-worthiness appear to be lacking.

I am confident that the Bank of Montreal, 136 years young, will continue in the forefront of constructive endeavour.

GENERAL MANAGER'S REMARKS

Mr Arthur C. Jensen, general manager, in the course of his remarks, said: The past year has been one of continued growth and total year-end assets, loans, and deposits are at a new high level. Our profits also are greater than in any previous year. Our net profits amounted to \$7,042,676. Out of this \$5,040,000 has been allocated to dividends; equivalent to \$1.40 per share, which compares with \$1.25 declared last year. Our total assets have reached the figure of \$2,364 million, \$78 million higher than a year ago.

At the end of the fiscal year our total deposits amounted to \$2,227 million, an increase of \$79 million. Our total current loans at the end of the year stood at \$737 million, compared with \$663 million. Whatever the coming year may have in store, it is worth emphasising that there is as yet scant evidence of any general or sharp downturn in the pace of business.

The report and accounts were adopted.

CROMPTON PARKINSON LIMITED

CHAIRMAN'S SPEECH

IMPROVED PRODUCTIVITY AND EFFICIENCY

INCREASED DISTRIBUTIONS

The fortieth annual general meeting of Crompton Parkinson Limited was held in London on December 11th. The following is an extract from the speech of Mr Albert Parkinson, MBE (the chairman), which had been circulated with the accounts:

The decline in demand to which I referred a year ago continued, intensified and extended in scope to almost all our products and, in parallel with this recession, the productivity and efficiency of our operations increased, with the result that the pool of orders in hand has been considerably reduced during the year. In most sections of the business the recession of demand had ceased by the end of the year and in some sections there has been a modest recovery.

The reduction in demand which affected us also affected our suppliers, with the beneficial result that materials and parts became more readily available, thus enabling us to effect both a reduction and a better balance in our stocks which, in turn, largely contributed to our improved productivity and efficiency and at the same time reacted favourably on our liquid position.

The further increase of over £220,000 in the surplus from trading achieved during the past year is highly gratifying, particularly when it is realised that the latest year's figure is arrived at after deducting £135,695 distributed as a special bonus to the employees.

It is proposed to repeat the annual allocation of £10,000 to the Central Benevolent Fund, and this amount, together with the net dividends paid and recommended by your directors, absorbs £374,086, leaving £224,324 to be added to the unallocated revenue reserves of the parent company which gain a further addition of £136,501 from provisions no longer required and profits relating to previous periods now realised and brought into account.

Our cash position has improved by well over two-and-a-quarter million pounds; a result made possible by reduction of stock-in-trade and work-in-progress of just over £1,250,000 combined with a continuance of that conservative policy of accounting and finance we have adopted and retained for so many years.

DISTRIBUTION POLICY

Your directors consider the much improved results of the past year's operations justify a substantial increase in the amount to be distributed to the stockholders and they recommend that the total distribution on the ordinary stock out of the profits of the year shall be 20 per cent.

For the past ten years our total annual equity distribution has been at the rate of 11½ per cent (or its equivalent) divided as to 3½ per cent interim dividend, 3½ per cent final dividend and 3½ per cent special cash bonus. At the time this method of dividing the total cash distribution was adopted many years ago, its purpose was to permit a variation from year to year of the total distribution by a variation of the special cash bonus, thus leaving the interim and final dividends unaffected in any but very special circumstances.

Your directors still find merit in this method, and, having already declared an interim dividend of 5 per cent, now recommend that the remaining 15 per cent be

divided as to 7½ per cent in the form of a final dividend and 7½ per cent as a special cash bonus.

While, as stated above, your directors still think a conservative policy is the right one to follow in your company, they intend that the special cash bonus shall, in the future, fulfil the purpose originally intended.

OVERSEAS

We have continued our policy of close personal contact by visits to many parts of the world, from China and Japan in the Far East to the USA and Canada in the west and from Scandinavia and USSR in the north, to Australia and New Zealand in the south.

The manufacturing operations of our overseas factories have been further developed during the year.

We have constantly in mind the great importance of overseas trade to our country, not only in the form of exports of the technical engineering products that form such a large part of our home manufactures, but in helping to develop the resources of other countries so that they may improve the standards of their peoples and thus create expanding markets for manufactured goods of all kinds.

EMPLOYEES

The results could not have been achieved without the skill, initiative and devotion of a large number of our executive and administrative employees who have worked together under their respective leaders with such gratifying results.

Although we do not operate a formal profit-sharing scheme, it has long been your board's policy to recognise the all-important part played by employees of every grade in the fortunes of the company by adjusting the bonus rates of hourly-rated employees and the payment of an annual bonus to the staff.

In past years these adjustments have not merited special mention, but this year their total is substantial and I thought it desirable to call your attention to this special feature of your company's policy and to add that, in similar circumstances, your board would welcome the opportunity to make corresponding adjustments in the future.

THE FUTURE

I have been chairman of your board throughout most of the postwar years—years that have brought new problems and ever-changing conditions. Yet never before have I found the short-term outlook so difficult to assess, but the long-term view is very encouraging.

We started the current financial year with a total order book less than at the beginning of the previous year and in some sections of our business it was deplorably small. I believe similar difficulties are being experienced throughout the electrical industry and in consequence order-getting has become a more formidable task. On the other hand, the flow of orders has recently improved and the average efficiency of our manufacturing and marketing operations is greater than ever. I can only describe your board's view of the immediate future as one of restrained optimism.

THE ENGLISH, SCOTTISH & AUSTRALIAN BANK LIMITED

A SATISFACTORY RESULT

The sixty-first annual general meeting of The English, Scottish and Australian Bank, Ltd., was held on December 9th, in London. The Hon David F. Brand, chairman, presiding.

The following is an extract from his statement circulated with the report and accounts for the year to June 30, 1953:

At the time my report was issued last year, Australia had started to recover from the temporary financial and economic difficulties which she had met mainly on account of her spending having risen to a level higher than her income and resources justified. The Commonwealth's international trading results, having deteriorated from a handsome export surplus to a substantial deficiency, were improving as the value and volume of imports fell, partly because of Government-imposed import restrictions, and partly as a natural reaction of satiated markets. This process of recovery continued through the year, thanks to good prices for exports and to favourable weather conditions for agricultural and pastoral products.

GENERAL RESERVE

The share capital and reserves have increased over the year by £1 million as the result of your board's decision to transfer that sum to general reserve from contingencies reserve. This operation brings the general reserve to a figure equivalent to the paid-up capital and restores the position which existed prior to 1931, when it became necessary to deplete the reserve in order to meet the loss incurred when the Australian £ was devalued by 20 per cent.

Deposits, current accounts, etc., increased over the year by nearly £4,600,000 to a total of £104,810,000, reversing the evidence of contraction shown in last year's figures. Advances have fallen by nearly £14 million, demonstrating the return to conditions of normal demand for credit.

ALLOCATION OF PROFIT

The gross profit for the year was £253,000 higher than last year and expenses of management required an additional £247,000. After charging directors' and audit fees and taxation, the net profit was £253,873 or £16,353 better than the previous year. A similar appropriation as last year, £45,000, has been made to the Officers' Provident Fund. If the directors' recommendation is approved, the cost of dividends for the year will be £204,375, which includes the special centenary interim dividend of £39,375. After these appropriations there will be a balance of profit of £4,498, which with the amount brought forward will make the total of the profit and loss account £372,449.

During the past several months your board has had under consideration the development of a department of the bank to supply hire-purchase finance to assist the people of Australia in acquiring the necessities of the home and of their everyday life. There has been more demand for this type of finance than existing sources have been able to provide. It was felt that under current conditions in Australia, with its rapidly expanding economy, development in this sphere was a proper function for your bank. All customers of the bank can rest assured that this development will in no wise affect the bank's readiness and ability to provide normal banking facilities for them.

The report was adopted.

THE CRITTALL MANUFACTURING COMPANY

POLICY OF SUPPORTING PRICE REDUCTIONS
HIGHER COSTS OFFSET BY GREATER EFFICIENCY

LORD BRAINTREE'S REVIEW

The twenty-ninth annual general meeting of The Crittall Manufacturing Company Limited was held on December 9th at Manor Works, Braintree, Essex.

Lord Braintree (the chairman) presided and, in the course of his speech, said: The trading profits of the Group for the year, after all charges but subject to taxation, amounted to £729,257, a reduction of £89,522 compared with last year's record figure. Whilst during the earlier months of the year the parent company was trading at an even higher rate than the average for the previous year, there was subsequently a falling off in business, with the result that the previous year's total volume was just about maintained. Whilst the National Building Programme progressed during that period, the recession in business was the result of a long period of extended delivery dates, due to the drastic cut in the amount of steel made available to the metal window industry. Fortunately, the hope that I expressed when we met last year has been fulfilled—the steel shortage no longer exists and we have for some little time been able to offer greatly improved delivery; nevertheless, it will take some time to regain the ground that was lost.

That the results before you are only slightly less favourable than last year is accounted for by our policy of counteracting increases in cost which are outside our control by a constant effort to increase our efficiency. During the year there was a wage award, and in addition we have borne for the first time the full cost of the two weeks holiday with pay which, when the effect on production per man-year is taken into account, is a not inconsiderable addition. On the other hand, in January, 1953, a free market in zinc, of which your company is a substantial user in its galvanising process, brought about a substantial reduction in price. Unfortunately this saving has been more than offset by an increase in the price of brass, which has not been helped by allowing the export of brass ingot during a period of acute shortage of brass scrap. Towards the end of October, 1952, the selling price of rustproofed standard metal windows, which represent nearly ninety per cent of the standard windows sold in the home market, was reduced by approximately four per cent; there have also been material reductions in the selling price of rustproofed purpose-made windows. It is our policy to support price reduction, even in face of difficulty, as a contribution to lower building cost, as we believe this is necessary for the continued prosperity of the building trade.

Lord Braintree then reviewed the Group's progress in overseas markets, and continued:

FUTURE PROSPECTS

I have referred to the difficulties which attended the latter part of last year's trading as the outcome of the rationing of steel which had been imposed earlier on. Taking that part of our business which relates to house building we are helped by the fact that the low upkeep costs of galvanised steel windows is well known and appreciated by local authorities and others associated with house build-

ing. The indications are quite definite that this business is coming back to us and, although our standard window capacity is a long way from being filled, we are now able to avoid short-time working, and look forward with confidence to the commencement of next year's building programme for which we shall be adequately stocked and able to give unprecedented good deliveries.

The purpose-made side of our business has been for some time past restricted owing to the limitation of building permits. The easement of building restrictions should alter this position and we look forward to a much increased volume of purpose-made work.

A difficulty at this time is the unnaturally high cost of brass. The prohibition of the use of brass for the manufacture of window fittings was lifted in December, 1952, and we have now reverted to the supply of high-quality brass fittings. At the outset the change from substitute steel fittings to brass in itself involved a substantial increase in cost, which is now aggravated by the high price of brass to which I have referred. We are convinced, however, that we should not pass on this extra cost unless we are satisfied that it is not a passing phase or could not be recovered in other ways in a reasonable time. I hope it will be noted that the high cost of brass fittings constitutes a handicap to our export trade and that the export of brass ingot will be drastically restricted.

We have embarked on the regular production of several other products. Although windows have always been our first consideration, we are well equipped to make a wide range of structural or sheet metal articles. We are particularly attracted to any product for which the demand is sufficiently continuous to justify special equipment, and we are hopeful that some of the articles we have now introduced will eventually achieve considerable volume.

EXPORT

The total export turnover represents a very substantial proportion of the parent company's business and the total business done can be regarded as satisfactory. Exports to hard currency countries show an increase of nearly 22 per cent.

The total group taxation, at £470,690, which includes foreign taxes, represents 12s. in the pound as compared with £570,050 and 13s. 3d. in the pound for the previous year. The small alleviation in the taxation burden is welcome, but it is still extremely difficult to finance the maintenance and expansion of efficient production and, at the same time, recommend a reasonable return to the stockholders.

The net taxed profits attributable to your company amount to £285,852.

The excess of current assets over current liabilities of the group amounts to £2,208,030. Revenue reserves, including future taxation, at £1,692,173, show an increase of £153,696.

The report was adopted and the ordinary dividend of 10 per cent and bonus of 5 per cent was approved.

THE CANADIAN BANK OF COMMERCE

DEVELOPING COMPETITIVE CONDITIONS

MR JAMES STEWART'S NOTE OF CAUTION

The annual meeting of The Canadian Bank of Commerce was held on December 8th in Toronto.

Mr James Stewart, CBE, president, said that there were many evidences of a developing competitive market in Canada. Signs were not wanting that that competition would continue and possibly increase in the immediate future with all that implied in the matter of profits. Inflation had served to hide or distort cost factors, and pricing in many instances had been unduly influenced by the anticipation of a continuing upward inflationary spiral. For the time being, and for the foreseeable future, the inflationary pressures had been contained, and costs, and prices, would play their proper role in the market-place.

While substantial gains had been recorded in many of the diverse activities that now made up the Canadian business scene, the pattern was more uneven than a year ago, reflecting rising competition. In the trade section they had become a net importer, reversing their position of a year ago. Inventories were accumulating in some lines, suggesting perhaps a stickiness in prices or possibly an overly optimistic appraisal of the market. To his mind those were signs not necessarily of weakness but of vigour in the business community.

The domestic scene revealed many signs of strength. The number of persons gainfully employed was high. Consumer demand remained high. The rate of capital investment had been high for some years now. While there might be some reduction in capital formation in 1954, the amount invested was likely to be large.

The postwar expansion of plant capacity and the creation of new industrial and commercial enterprise had been accompanied by some change in capital structures. In 1939 equity to debt, generally speaking, was about 2 to 1. In 1952, equity had declined to about 56 per cent and debt had increased to about 44 per cent.

The continued strength of the Canadian dollar was the most notable factor in the international aspects of the economy. The level of imports in relation to exports and the continued attractiveness of investment opportunities in industry and resource development would influence the course of their dollar in the months ahead.

Mr Stewart repeatedly referred to increasing competition—not as a counsel of pessimism but as a caution. He stressed that Canada must become increasingly aware of the implications of generally high costs of production and the difficulties emanating from them in competitive markets both at home and abroad.

GENERAL MANAGER'S REMARKS

Mr Neil J. McKinnon, general manager, said that business activity, with the exception of certain areas, had been at record levels. He pointed out, however, that turnover in inventories and payments of trade accounts were slowing down, and while those developments did not give reason for concern, good management must be alert.

Referring to consumer credit, he said that the aggregate volume had continued to show an increase, but the rapid rise observed a

year ago had lessened in recent months and might be levelling off.

On the subject of the first of two important measures of legislation which would be brought before Parliament during the current session, namely, provision for long-term mortgage loans for residential construction, Mr McKinnon said that the terms of that legislation when available would be studied with care and consideration for the interests of the country as well as for good banking principles, both of which in the final analysis were inseparable.

Reviewing the bank's annual statement, Mr McKinnon pointed out that assets had grown during the year by approximately \$91 million and now stood at \$1,911,815,744.

The report was adopted.

LILLYWHITES LIMITED

GRATIFYING IMPROVEMENT

The twentieth annual general meeting of Lillywhites Limited was held on December 9th in London, Mr H. J. Benedictus, ACA (the chairman), presiding. The following is an extract from his circulated statement:

After last year's reduction in profits it is gratifying to be able to report a modest improvement for the year to August 31, 1953. up till the end of 1952, sales continued to be disappointing, but with the turn of the year there was an improvement which continued throughout the remainder of the Company's financial year, and which, I am happy to say, is still in evidence. In fact, sales since the beginning of September show quite a substantial increase on the corresponding figures for last year and, without entering into the realms of prophecy, I am hopeful that it may continue.

The profits for the past year would have been appreciably greater, had it not been that your Company, in common with most others in the retail distributive trades, was put to substantial stock losses, in consequence of the reductions in Purchase Tax in the last Budget.

Our branch at Bournemouth continues to attract attention and may now be regarded as well-established. Once again, we have opened a department at M. Cleghorn & Company, Limited, of 129, Princes Street, Edinburgh, for the sale of ski-ing equipment, clothing and boots. This was a very successful innovation last year, in spite of extremely poor snow conditions in Scotland.

Your company has achieved a world-wide reputation, and every day we receive orders and inquiries from all parts of the world, both from individuals and from internationally famous organisations.

TRADING RESULTS

The combined trading profit is higher by £9,073 than last year, but depreciation takes an additional sum of £1,750. After other smaller variations, the net profit for the year works out at £48,599, an increase over last year of £6,598.

Your directors recommend a final dividend of 20 per cent on the ordinary shares of the company, making a total for the year of 30 per cent, as against 27½ per cent last year. In addition, they propose that the 5 per cent capital distribution which was paid last year for the first time, should be repeated this year. This brings the total dividend up to 35 per cent; in addition, 5 per cent of this dividend is free of Income Tax as a capital distribution. After paying these dividends, the carry forward is increased from £21,020 to £23,627. The report was adopted.

LEETHEMS (TWILFIT)

The twenty-fifth annual general meeting of Leethems (Twilfit) Limited was held on December 3rd at Portsmouth, Mr C. H. Reynolds, MA, AMICE, JP (chairman and joint managing director), presiding.

The following is an extract from his circulated statement:

Throughout the year now under consideration and to date, demand has been consistently heavy and considerably in excess of our production capacity. The limiting factor has been the difficulty in recruiting sufficient numbers of employees of the type and quality we require to keep up our high standard of workmanship the position at the moment is improving and output is steadily increasing.

Sales have been at a record high level and profits consequently good; prospects are encouraging and we anticipate that next year's results will be at least equal to normal. Exports continued at a high level.

The continuing improved trading conditions have encouraged your directors to recommend that 75,000 ordinary shares of £1 each shall be issued and credited as fully paid to members in the proportion of one new ordinary share for every three ordinary shares held at the close of business on the date of the annual general meeting. The amount required to pay up the new ordinary shares will be provided by capitalising £75,000 of the capital reserve, thus reducing that reserve from £125,000 to £50,000.

The directors have decided to recommend that, in addition to the proposed dividend of 6 per cent, a bonus of fivepence per ordinary share shall be declared in respect of 225,000 ordinary shares now in issue. The report was adopted and the increase of capital and bonus issue were approved.

MALAYALAM PLANTATIONS

The thirty-second annual general meeting of Malayalam Plantations, Limited, was held on December 10th in London, Mr H. W. Horner, chairman, presiding. The following are extracts from his circulated address:

The year 1952 was critical for tea producers in India. The present statistical position promises a continuance of satisfactory prices. The company's net profit is £278,851, against £411,832, and the directors recommend a final dividend of 7 per cent, making 10 per cent. They regret that the profits remaining after the heavy taxation do not permit a higher dividend.

Mainly owing to Government exactions and various enactments chiefly relating to labour, costs of production have risen constantly in recent years. The investor is robbed of a fair reward for enterprise and risks taken, not by any over-cautious financial policy but by excessive Government expenditure, often conceived on idealistic, rather than practical, lines necessitating penal taxation, and by premature legislative interference with labour conditions. Our greatest problems are those relating to labour.

The Government of India is set upon a policy of economic development virtually inescapable with the population increasing at the rate of 4½ million a year. India has not the resources and capital necessary and will need enormous sums from outside, which will not be forthcoming unless assured of fair treatment and the probability of being allowed to retain, and to take out of India, a fair return. Creation of an atmosphere favourable to external capital generally is necessary.

The report and accounts were adopted.

HARRIS LEBUS, LIMITED

INCREASED SALES

The sixth annual general meeting of this company was held on December 8th in London, Sir Herman Lebus, CBE, JP, chairman and managing director, presiding.

The following is an extract from his circulated review:

The trading profit for the year to July 10, 1953, after providing for all charges, including depreciation, amounts to £561,879 as compared with £416,885 in the preceding year, an increase of £144,994. After providing for income tax and profits tax computed on the profit for the year, the net profit amounts to £228,883. The 4 per cent preference dividend, less tax, of £21,500 and the proposed ordinary dividend of 8 per cent, which, less tax, amounts to £88,000, together absorb £109,500.

The last half of the financial year to July, 1953, was an important period for the furniture industry. The Utility Furniture Scheme was abandoned, price controls were finally dispensed with and it became possible for the industry to manufacture and sell its products unhampered by these regulations and controls.

Last winter the industry was in the midst of a serious depression in upholstered furniture which continued up to the spring of the present year, but I am glad to say that later there was a general improvement which is still continuing. Your company has shared in the results of the improved demand and the sales achieved during the year show a considerable increase. You will, I think, agree that the year's results are gratifying. Your directors are of the opinion that your company can face the long-term future with sober confidence. The report was adopted.

HERRBURGER BROOKS LIMITED

IMPROVING CONDITIONS

The thirty-third annual general meeting of this company was held on December 9th in London, Sir Louis Sterling, chairman, presiding.

The following is an extract from his circulated statement for the year to June 30, 1953:

The general recession in trade coupled with the closure or severe restriction of many of the regular overseas markets had a serious effect on the piano trade. The result of these adverse conditions in the first six months of our financial year was an extensive fall in sales with curtailed output leading to short time working in the London factory and consequent higher production costs.

This depressed state of trade continued until early in 1953. In February of this year there were definite indications of improvement which have continued through the ensuing months and this improvement shows every sign of continuing throughout the present financial year. The net profit although considerably reduced may be regarded as satisfactory in such a difficult trading year. Your directors recommend to you that the dividend be maintained at 1s. 6d. per share as in the last five years.

It was in April of this year that the Chancellor of the Exchequer decided to remove all purchase tax chargeable on pianos and the relaxation of some restrictions in markets abroad already apparent will improve the export trade which must receive priority as regards sales, but this coupled with the expected increase in home trade justifies optimism for the future.

The report was adopted.

A. MONK AND COMPANY GRATIFYING RESULTS

The annual general meeting of A. Monk and Company, Limited, was held on December 9th at Warrington. Mr Arthur Monk, the chairman, presided.

The accounts show a profit, subject to taxation, of £201,573 for the year ended February 28, 1953, as against £189,153 last year. The charge to taxation in the year—£104,687—is lower than last year by £8,500.

The following is extracted from the chairman's statement:

I think that we have every reason to be gratified with the results of the year's trading to February 28th last. The figures show that the exceedingly good returns of past years have been more than maintained, and, I might add, the usual prudent method of valuing work in progress has once more been followed. A very satisfactory volume of new work came our way during the year, and at the present time we have sufficient orders in hand to keep us fully occupied for a long time ahead.

EXPORT SALES

This appointment is with a large company whose product and reputation is firmly established in the United Kingdom. The already growing export trade has reached proportions requiring the full-time attention of a man experienced in overseas markets. Some years' actual experience of conducting export business and in co-operating with overseas agents is essential. The product is of a technical nature and evidence of aptitude to master technicalities in the plastics and/or textile field is desirable.

The successful candidate must be capable of launching and controlling selling campaigns in a number of countries, with particular reference to Australia, USA and Northern Europe. A knowledge of French and/or German is desirable.

A good University Degree is preferred and ideally the position is suitable for men under 42 years of age, for the initial work will require exceptional stamina and energy. The timing of this appointment is such that there will be every opportunity to show results, which in turn will present attractive possibilities for a stimulating and progressive career. The starting salary will be at least £1,500 per annum and there is a contributory pension scheme. Box 2FA, 9781, A.K. Advg., 212a Shaftesbury Ave., London, W.C.2.

JOURNALISTS

Wanted by Northern publisher of trade journals, capable young journalist with good news sense. Excellent opening for the right man.—Box 400.

THE Church Commissioners invite applications for the early full-time appointment of Investment Manager of their Stock Exchange investments which amount to over £100 million in value and include a large and growing portfolio of equities. Terms commensurate with responsibilities and according to applicant's experience are offered both as to salary and superannuation at levels usually paid by large institutions, and other investing bodies in the City. Apply in confidence by letter marked "Personal" to Sir James Brown (the Secretary to the Commissioners) at No. 1 Millbank, Westminster, S.W.1, stating experience.

If any genuinely interested applicant desires further information, he may obtain it from Sir James Brown or from any member of the Commissioners' Advisory Panel, Sir Richard Hopkins, Mr. G. G. Beamish, Sir Eric Gore Browne and Mr. G. Tysr.

PERSONNEL Management Scholarships. Under the Counterpart Conditional Aid Funds scholarships, value £300 (plus children's allowance), will be available for one-year full-time courses in personnel management at certain universities. Closing date for applications January 31, 1954. Further information and application forms obtainable from the Secretary, Institute of Personnel Management, Management House, 8, Hill Street, London, W.1.

ASSISTANT (male) aged 20-26 required for the actuarial department of an old-established Life Assurance Office in London. Applicants should be students of the Institute of Actuaries or should have obtained an Honours degree in Mathematics. Exceptional prospects.—Apply Box 402.

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*).

SPANISH Evening Classes from January 11th. All grades.—The Hispanic Council, 2 Belgrave Square, S.W.1. SLOane 7180.

QUALIFIED CHEMIST or Chemical Engineer with flair for economics and selling required to represent firm undertaking industrial research and development, and assist with technical market surveys and literature searches.—Write for application form to Box 395.

ARE you interested in the Government's plans for introducing a competitive television? The Popular Television Association of 78, Buckingham Gate, London, S.W.1, will gladly send Speakers to address your Society on this vital subject.

FOREIGN EXCHANGE organisation in USA has openings for men and women with suitable background or experience.—Apply to: DEAK & CO., INC., Foreign Exchange, 75 West Street, New York 6.

A MARKETING EXECUTIVE responsible to Sales Manager is required by a well-established London Company. Good education, preferably University Degree, experience of sales promotion, advertising and marketing methods in substantial firm(s) are essential. Age limits 30 to 45. Salary £1,000 to £1,250 according to experience. Write full personal particulars and details of experience and salaries earned to Box 403.

We have continued to maintain a reasonable proportion of work under the Defence Programme. Excellent progress has been made with the new test track for military vehicles of all types in Surrey. The Ministry of Supply factory at Leyland, Lancs, recently opened, made record speed. Various other Defence contracts for both the Admiralty and the Air Ministry continue satisfactorily. Good progress has been made on many other contracts, and amongst them I should mention the important chlorine, polythene, terylene and paraxylene plants for the Imperial Chemical Industries, Ltd., at Wilton, in North Yorkshire. Creditable performances are shown in Open cast Coal and appreciable work has been carried out for the Nationalised industries.

As I have said formerly, the company is excellently served by a loyal and efficient staff. To them bonuses have already been paid. Further recognition is undoubtedly due, and in addition to having extended the company's pension scheme in the year by providing life insurance cover, we have now set aside a further sum of £20,000 for their welfare.

As to taxation, the charge this year is lower than last largely by reason of the fact that £20,000 has been brought into credit as not now required to equate tax on capital allowances. It would not appear that there can be any liability for EPL. Although there has been a slight easing of the tax burden this year, I feel that industry still has to draw far too deeply on its resources.

The balance-sheet shows a generally stronger all round position than last year and the liquid position is better. General reserve has been brought up to £320,000 by the addition of a further £15,000, and dividend equalisation account has been brought up to £50,000 by a further transfer of £10,000. The carry forward is £98,587.

I am very sorry to say that Sir Thomas Brocklebank, who had been a director for the last five years, and whose advice on many matters gave material help to the company, passed away suddenly only a few weeks ago.

The report and accounts were adopted, and the final dividend of 20 per cent on £150,000 ordinary stock (making 40 per cent for the year) was approved.

PERSONNEL ADMINISTRATION LIMITED MANAGEMENT CONSULTANTS

55 SOUTH AUDLEY STREET, LONDON, W.1. require qualified accountants with industrial experience and a real interest in Management Accounting. A period of training will be given to qualify successful applicants to carry out the company's work. Applicants are invited preferably from Chartered Accountants between 30 to 35 years of age. A University Degree would be an additional advantage but not essential. The prospects are outstanding and the appointments are pensionable.—Please send particulars of qualifications and experience, quoting reference C.A.2.

SOLICITOR OR BARRISTER required for a senior position in the Legal Department of the National Coal Board at London Headquarters. Applicants should be practising lawyers of wide experience, able to conduct major litigation without supervision and to supervise junior staff. The duties of the post will include advising on questions of law relating to coal mines arising in common law litigation. Experience with regard to the coal industry is not essential, but the successful applicant must be an able and energetic lawyer.

The starting salary will be not less than £1,600 per annum, inclusive. There is a Superannuation Scheme.

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/714. Closing date January 2, 1954. Original testimonials should not be forwarded.

MARKETING and advertising man.—A large reputable manufacturer in the North of England, marketing nationally advertised lines requires a first-class experienced man around 35 years of age. He must be well educated, preferably University graduate, and experienced in similar activities either with another company and/or large advertising agency. He should be capable of assuming a large measure of responsibility enabling him to demonstrate his readiness to take a place in top management within a year. Commencing salary according to qualifications will be of the order of £1,500/£2,000.—Write giving full particulars which will be treated in confidence, own staff having been advised of this appointment, to Box 392.

AN EXPANDING COMPANY requires the services of a man or woman graduate to undertake field and office control of a National Retailer Panel. An Economics or Sociology degree or knowledge of statistics would be an advantage. The work entails maintaining a panel at full strength, checking field work, organising office routine and appreciation of findings in collaboration with the Statistician. Salary will be in the range of £630 to £800 and the post also carries Pension, Life Assurance and Sickness Benefits under a non-contributory social security plan. This post offers an excellent opportunity for a man or woman seeking first-class market research experience. Half the time (office) will be spent in Melton Mowbray, and the remainder in the field.—Box 389.

APPLICATIONS are invited for the position of Assistant Secretary to the Woolen and Worsted Trades Federation. Age limit 30 years. Position is pensionable. Salary according to age and qualifications. Candidates should send full particulars marking the envelope "Applications" to the President, Woolen and Worsted Trades' Federation, Manor Buildings, Manor Row, Bradford.

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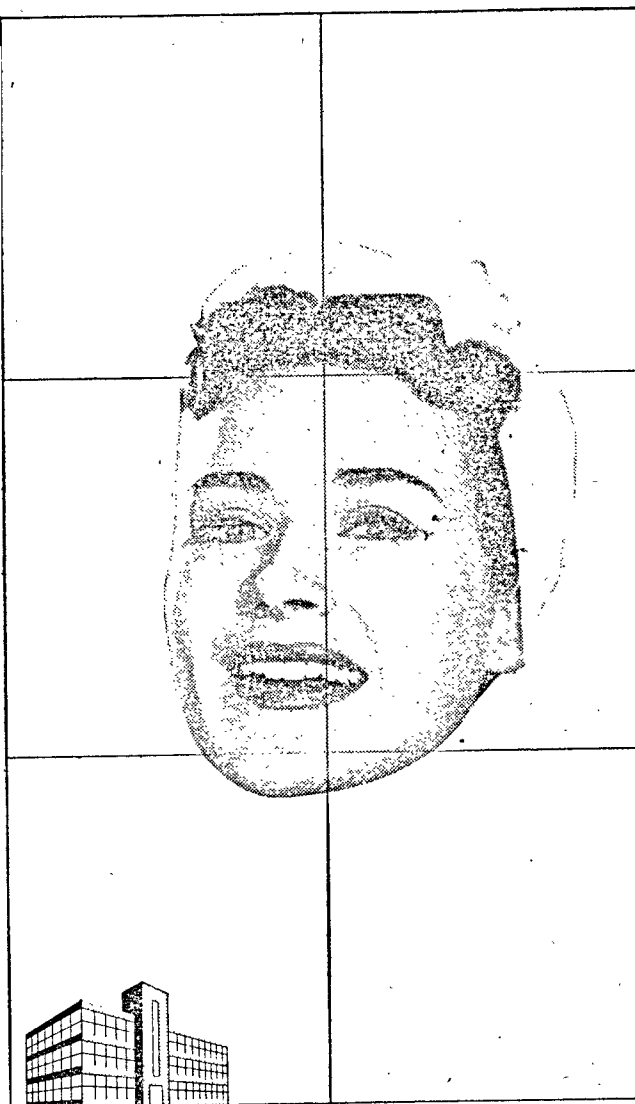
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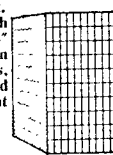
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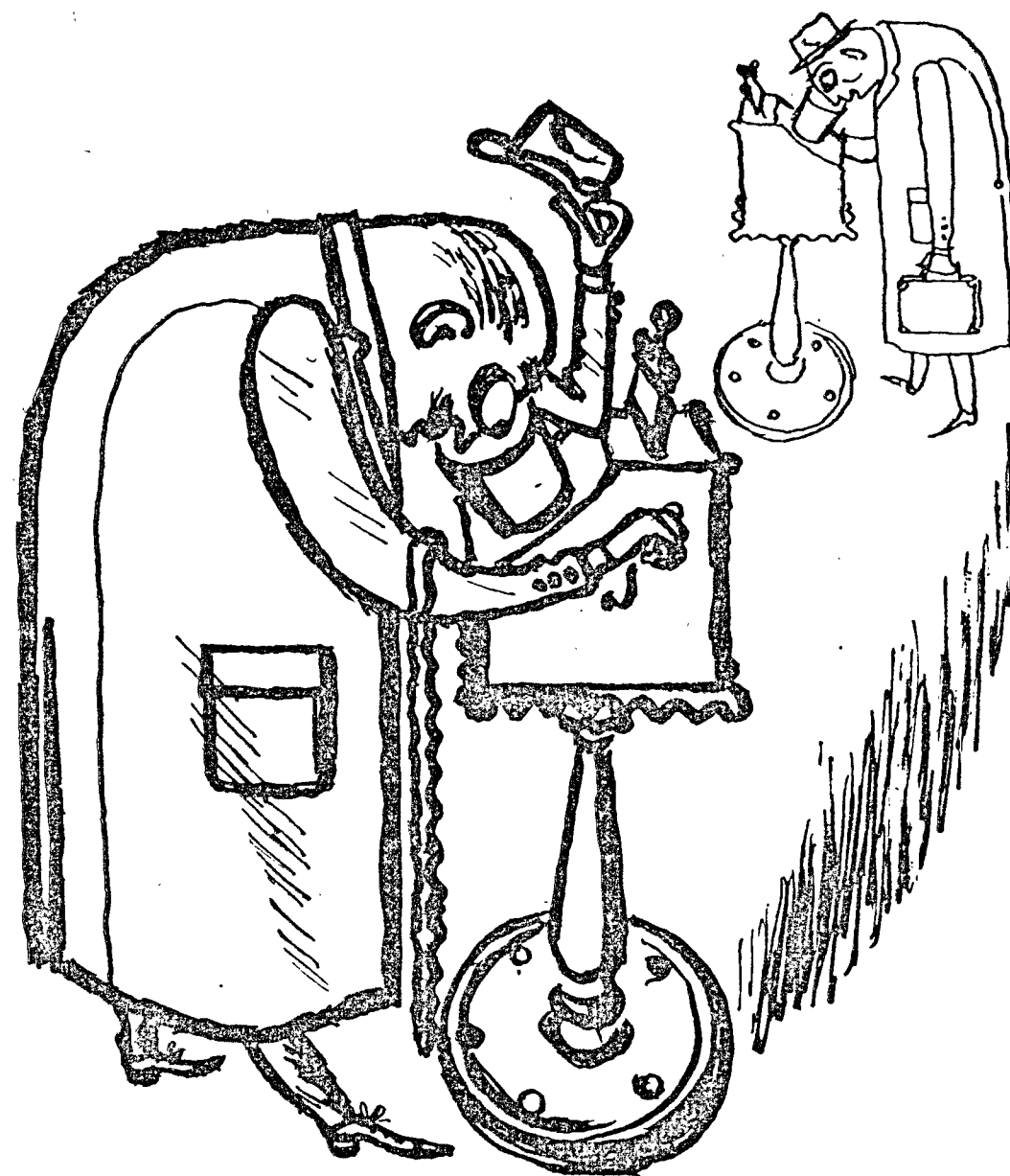
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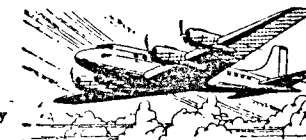
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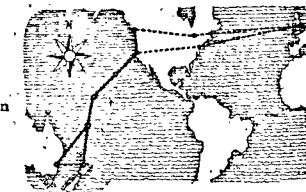
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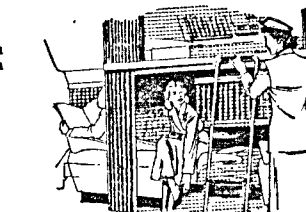
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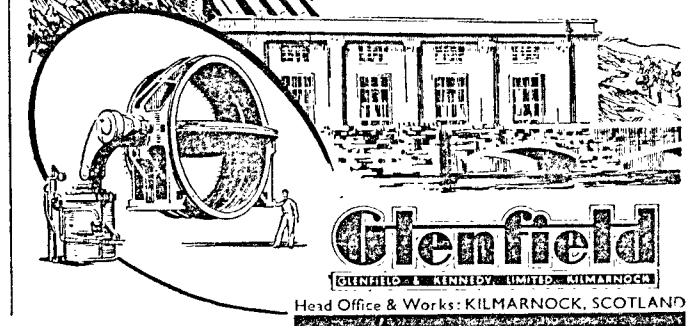
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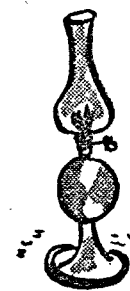
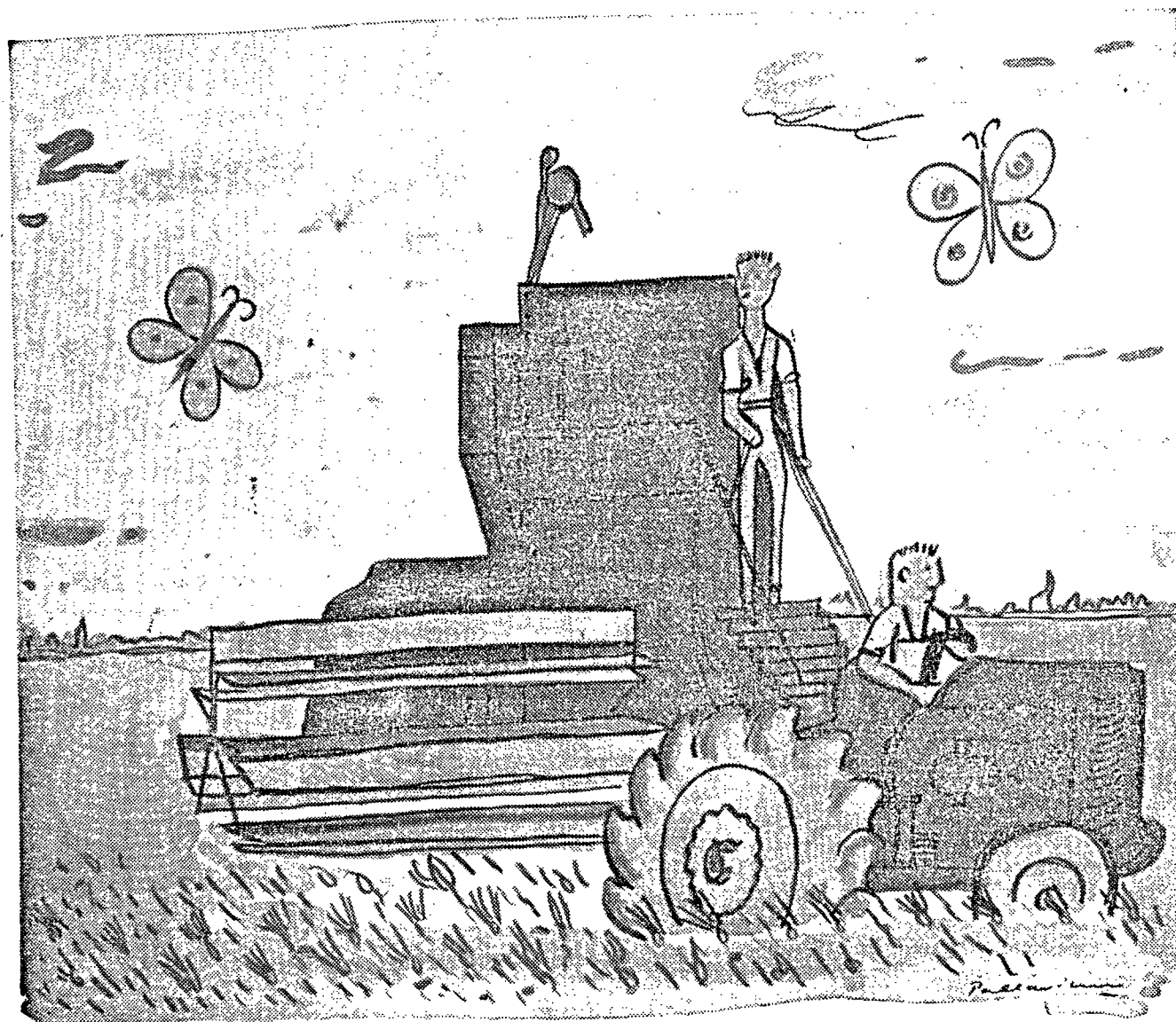
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Stand—or Deliver?

AFTER four days of conciliation by the Minister of Labour, the Transport Commission has agreed to increase the railwaymen's wages by considerably more than the four shillings a week recommended by an independent tribunal; and there will not after all be the railway strike that would have spoiled so many people's Christmas. The first reaction has been one of nation-wide relief; but the second must be to weigh very carefully what this settlement means. It means that the Government and the Commission have decided—probably rightly—that it is not on the railway lines that the country should stand to meet the first major national strike since before the war. Instead that shock will have to be absorbed somewhere else, perhaps in the engineering industry and possibly early in the new year.

At best the tinder will continue to smoulder, waiting for an unfavourable trade wind to set it ablaze. For the country must now be very near the turning point in postwar industrial relations. The really significant feature of this week's tussle was not that a railway stoppage was averted, but that it was so nearly allowed to occur. Until this year the question of when it is worthwhile to risk a labour stoppage has not been seriously considered. Throughout the years of inflation the automatic reaction of employers in the face of trade union demands has been to grant increases as great as—although if possible no greater than—are needed to prevent the unions from striking. The conciliation, arbitration and investigation machinery kept in constant readiness by the Ministry of Labour has operated on the same basic premise: that strikes must be avoided, in the last resort at any cost (although with the rider that, before the last resort is reached, the cost can be delayed, trimmed down and tidied up by the exercise of a little diplomacy). The object of policy since the war has been to allow wages and prices to trudge drearily up the spiral staircase, while preventing them from soaring giddily in an automatic lift.

The result has been that at each successive industrial award wages have tended to leapfrog slightly—although only slightly—ahead of the increase in prices during the preceding year. Some time before the next annual (it now usually is annual) award, of course, prices have tended to catch up again; and that is why it is always possible for an able union to show that its members' wages have risen less than prices since some specially chosen base date, or than profits or productivity or dividends (conveniently defined) since some other base date, or than the wages of some other union's members since some time else. But the general, as distinct from the particular, pattern has been clear. Between 1938 and 1946, according to the best available estimates, real national product rose by only 9 or 10 per cent, the total of money wages and salaries rose by 72 per cent and the prices of all goods and services entering into personal consumption rose by 57 per cent; between 1946 and 1952, real national product rose by 12 to 15 per cent, money wages and salaries by 69 per cent

and prices by 41 per cent. This has not been runaway inflation, but it has been something more than inflation at a tolerable jogtrot.

Throughout this period two warnings have been clearly written on the wall. The first has been that the process of inflation could not go on for ever, if only because Britain's overseas competitors could not always be relied upon to go on conveniently inflating too. The second has been that as soon as wages were stopped from rising faster than productivity—in other words, as soon as the process of inflation ended—the annual wage increases that could be granted would look derisory, and would almost certainly provoke strikes. Since 1946 the average annual increase in total productivity has been around 2 per cent, or on current wage levels rather less than the four shillings a week that the railwaymen regarded as an insult.

In the past fifteen months, the time for this reaction has drawn steadily and obviously nearer. The awards handed out after organised bargaining bouts have dropped steadily below the 7 or 8 shillings a week that was customary last winter; since October there have been at least seven awards (in relatively minor trades) of 4 shillings a week or less. It could only be a matter of time until one of these awards struck bone on one of the big unions with opportunities for creating chaos on a national scale. It is unfortunate that, thanks to the accidents of the calendar and to the National Union of Railwaymen's eagerness to threaten a strike at the season that would inconvenience the public most, the test case that arose first was a bad one on which to make a stand.

There are two reasons why the destined battleground has been unfortunate. The first is, quite frankly, that if there had been a strike the railwaymen would probably have won it—on approximately the terms that have now been granted without a fight. They would have won because—on the substance of their claim, as distinct from the time chosen to press it—they had public sympathy behind them, on the simple ground that their wages have risen less than most other wages since the war, and that they are still unduly low. There is an element of truth in these contentions. According to Sir Arthur Bowley's index, published in the *Bulletin* of the London and Cambridge Economic service, weekly wage rates on the railways rose by 115 per cent between 1938 and August, 1953, compared with an average rise of 144 per cent in industry as a whole; average earnings of the railwaymen who would have been concerned in the strike were £8 11s. 11d. a week, and of unskilled provincial porters alone £7 2s. 8d. a week, compared with an average of £9 8s. 8d. a week in industry as a whole. Although it is fair to deduce from these figures that for many members of the NUR this would have been a strike for a decent amount of cigarette money, the uncomfortable fact remains that for a minority of them it would have been something more bitter than that.

The second reason why the choice of battleground was unfortunate, however, is that there is a genuine economic—as distinct from emotional—case for over-

haul of the railways' present wage structure. The engine driver with six years' experience got 90 per cent more than the unskilled lengthman in 1939, but he gets only 40 per cent more now—and this is before the deduction of income tax. One result of this vicious narrowing of differentials is that the disgruntled skilled workers have concentrated on securing an easy life in recompense for an unremunerative one, and it is here that the familiar fuss about lodging turns and other restrictive practices has its roots. Another result is that the railways have an inflated labour force in some grades, and a genuine difficulty in attracting men of the right calibre into others. The railways have too few fare-paying passengers in their trains and too many wage-drawing passengers along the line.

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The settlement to which the Transport Commission has now agreed accords some recognition to these problems; but the statement of agreement makes no attempt to emphasise the basic problem that the railways will never be able to pay anybody properly unless the surplus of labour in certain grades is absorbed and unless those who remain are induced to work harder and more efficiently. The supplementary payments above the basic four-shilling award will be on a percentage, not a flat rate, system; differentials for skilled men will therefore be at least maintained, and in many cases they are to be increased. In addition, the commission and the unions have agreed to "confer, in order to evolve ways of increasing the efficiency of the railway organisation, not only by such adjustments of wages and salaries as may result . . . but by all other appropriate means."

In all essentials, however, the settlement has settled nothing except the convenience of the public this Christmas. The moral that the other unions will draw from this week's negotiations is not that wage increases are now contingent upon a relaxation of restrictive practices and upon working economies. One more opportunity has been missed of driving home the truth that the standard of living must depend on the standard of working. Once more inflation has been thought preferable to a stoppage—although everybody knows that in the end inflation will do far more damage than a year of strikes. The only memory that will remain with the public is that the railway rumpus was handled with sympathy, patience and funk. In the particular circumstances of this particular case these may have been the right qualities to show. But as Sir Walter Monckton surveys the wreckage this weekend—the award of a duly authorised tribunal thrown over, the accounts of a public corporation unbalanced, and a fluttering standard of inflation run up before militant trade unionists elsewhere—he should not forget the truth behind the applause that his skill in negotiation has earned. His triumph is really one more retreat from reality.

A New Look for Nato

THE greater the difficulties that the Atlantic Council has to face, the more it becomes like the Atlantic Cabinet of Lord Ismay's aspiration. During these last few days it has addressed itself, more or less thoroughly, to almost every international problem of importance that should occupy the ministers of the United States, Britain, France and their eleven allies in company. The fact that this Paris meeting has been the occasion for brusqueness as well as politeness, for difference as well as compromise, is something to be welcomed. Ministers of foreign affairs, defence and finance have discussed arms and diplomacy, finance and production, strategy and intelligence, and have agreed without hesitating also to disagree. This in spite of the fact that something like a crisis in Nato's affairs is approaching, and that certain crucial decisions which might cut right across the prevailing comradeship cannot be much longer postponed. It is a healthy state of affairs provided that ministers see the future clearly.

But whatever hopes are staked on Nato as the first frail scaffolding of an Atlantic political community, the fact remains that it must still be judged primarily by its success in providing free Europe—which is something more than Western Europe—with defences more effective and cheaper than the fourteen members could produce separately. So much trouble has been taken to explain how much safer Europe is now than it was in 1949, that too many people believe that real safety has been attained, and can now be maintained by staying at the present level, by marking time, and by talking about the strategy of "the new look" and the logistics of the "long haul." Such slogans are to be treated with caution in view of the fate that overcame such predecessors as "burden sharing" and "integrated forces." For what are the blunt facts? The effective divisions available for the front-line defence of Western Europe are still outnumbered by the Soviet army in being in Eastern Europe. Their strategy in case of attack would be that of the fighting retreat, and it is doubtful whether sufficient trained reserve divisions would reach them in time to make possible a firm stand on natural obstacles to a Soviet advance. Ammunition and petrol stocks are

still unsatisfactory; Soviet superiority in numbers and quality of aircraft is still substantial; trained pilots are in short supply for the Supreme Commander's air forces; civil defence and security arrangements on his lines of communication are still inadequate; there is a shortage of escort vessels for allied convoys; and the eventual benefits to be gained from the gradual introduction of new weapons and scientific aids are still uncertain. Not, however, uncertain enough to have dissuaded the Atlantic Council from reducing the force plans set in General Eisenhower's day. Indeed, it is not too much to say that the probable benefits of these weapons have already been discounted in present military planning.

The state of affairs cannot be called critical, because the official appreciation is now that the Russians intend

to avoid war, whereas in 1950 there was ample room for doubt about their intentions. General Gruenther's forces certainly furnish a deterrent to aggression, even if they do not promise successful resistance to it; and there would be a case for saying that his present strength plus allied superiority in strategic bombing would keep the West safe, if it were not for the fact that the Russians are clearly catching up in their own atomic weapons and must be expected to find scientific aids to intercepting and bringing down atomic bombers. In short, the West probably still has the edge on the Russians and their allies, but is likely

to lose it in the years ahead if it just marks time. And the loss of this clear superiority in new weapons, whether on the ground or in the air, will enhance the importance of having something like parity in Europe in conventional weapons and infantry divisions. It is these facts that make such phrases as "new look" and "long haul" dangerous for public consumption, and make so perplexing the decisions that face the alliance.

Clearly the curve of defence expenditure cannot go indefinitely upwards, unless there is serious reason to believe that "a critical date" of maximum danger from the Soviet Union lies ahead. The idea is that it should now flatten into something like a straight line; but what this line would signify in financial terms may be judged from the table that accompanies this article.

DEFENCE EXPENDITURES OF NATO COUNTRIES
(million US dollars)

Country	1949	1950	1951	1952	1953§
Belgium.....	153	165	268	401	450
Canada.....	338	450	1,159	1,917	2,171
Denmark.....	52	52	69	98	156
France.....	1,370	1,599	2,517	3,706†	4,086†
Greece.....	109	131	222	164	221
Italy.....	482	565	731	842	835
Luxembourg.....	2	3	5	9	11
Netherlands.....	179	237	279	330	417
Norway.....	52	50	80	116	159
Portugal.....	50	53	54	58	76
Turkey.....	258	248	273	307	386
United Kingdom.....	2,181	2,377	3,218	4,377	4,957
United States.....	13,300	14,300	33,216	47,671	51,860
Total Nato Europe* ..	4,831	5,413	7,605	10,326	11,643
Total Nato*	18,503	20,208	42,041	59,812	65,475

* The amounts for individual countries have been converted from national currencies to US dollars at the official rate of exchange; the totals are provided by Nato. † Includes expenditures financed from US special military support of \$60 million in 1952 and \$177 million in 1953. The total for all Nato countries combined has been adjusted to eliminate double-counting. § Estimate.

Total Nato defence expenditure for 1953 amounts to some \$66 billion, $3\frac{1}{2}$ times the figure for 1949 and 10 per cent above the figure for 1952. There are many things that might be said about this expenditure—in particular about the high proportion of the burden borne by the United States—but there is one outstanding point that is causing anxiety, especially to the poorer countries. Between 1954-5 almost all the equipment that is coming from American and other Nato sources under present aid programmes will have been delivered; then will begin the problem of paying for its maintenance, repair and use in training. The provisional view appears to be that the cost of maintaining present strength will rise considerably, quite apart from the increased expenditure made necessary by improving the quality and readiness of the forces that already exist. Mr Dulles is reported to have given some general assurance that the United States would help to deal with the cost of maintenance; but that does not alter the fact that from 1955 onwards it may cost members of Nato more than it does now merely to maintain a level of forces that is not yet adequate.

The Atlantic Council's military advisers are by now only too well aware of the economic limits that must be observed in their planning; and its economic advisers are only too well aware of all the special difficulties and arguments with which governments can defend their hesitations and shortcomings. Indeed, the present trend in the Palais Chaillot seems to be towards accepting some decline in defence effort before a level can be attained at which governments will be prepared to keep their expenditure steady. In any case, the main decisions about the effort to be made in the first half

of 1954 had been taken before the Ministers met this week. The problem of the long haul from 1954 onwards is a matter for debate and investigation during the next nine months; but the trend of the experts' findings will depend largely on the trend of public opinion during that time. If the governments of Nato encourage complacency about Europe's safety then real crisis could quickly come. America's allies might be seen faltering in their stride at the very moment when Congress might be called on to consider new ways of keeping them.

The layman can hardly escape the conclusion that new ways will have to be found of sharing the heavy minimum burdens that lie ahead. It is foolish to imagine that between 1955 and 1956 the individual members of the Atlantic alliance will be in a position to cope from their own resources with the situation created by the termination of American military aid. The military and economic strategy that has prevailed in Nato since 1949 cannot be maintained intact unless the resources for it can be assured at least a year—preferably two years—in advance. And the signs are that this assurance has not been given. The Atlantic Council's insistence on quality rather than quantity, the emphasis on scientific rather than conventional weapons, the preparation for the long haul rather than the short dash—these are all intelligent and admirable principles; but they could turn out to be nothing more than the first taps on the politicians' drums before they beat a retreat. Before that is allowed to happen it is most desirable that the Nato Military Committee of Chiefs of Staff should urgently review present strategy and produce—not a new look but a new model.

The Eisenhower Plan

NOW that the first blast effects of Mr Eisenhower's atomic address at Uno are over, and the mushroom cloud of immediate reactions has dispersed, one can see more clearly where the President's proposal has left things. The first thing that is clear is that this was no isolated explosion. On the contrary, it has set up a chain reaction that seems likely to go on for a considerable time.

Mr Eisenhower has broken the deathly stillness that has hung for five years over the whole subject of international exploitation of atomic energy. This hush has embraced both the question of bringing atomic weapons under international control, and that of making nuclear energy available for peaceful purposes on an international scale. Action on the second problem has been paralysed by the apparently insoluble nature of the first; and during these years the world has heard nothing new on either subject, while the sinister thunderings from the rival camps, where each national group of scientists

works away behind its own graphite curtain, have grown louder and louder.

The new American proposal is not, and does not purport to be, a solution to the problem of international control. Indeed, informed opinion is now generally agreed that no final solution to that problem is possible this side of world government; and although a clear majority of the nations approved the Baruch plan of 1946, which implicitly pointed to a world government, it may be doubted whether they understood its implications, and it is certain that no such majority would today accept the full surrender of sovereignty involved. The Eisenhower plan makes no frontal assault on this resistance, or on the problem behind it. Instead, it proposes a course of action that involves no loss of sovereignty, either in the form of invasion of privacy, or in that of subjection to a supranational power. It is precisely for this reason that the plan makes possible a wholly new examination of the subject.

The President has impressed on the world's retina a shining vision—a vision of scientists coming out from their enforced seclusion to work together on the production of energy for joint and peaceful use; a vision of transformation for the power-poor countries of Asia and other regions; a vision of international tension being relaxed, and a murky atmosphere purified, by the therapeutic experience of teamwork in a noble cause, while at the same time the looming stockpiles are rhythmically reduced and the weight of atomic weapons is eased off the world's shoulders. This is not a dream to be cynically dismissed. It is a concept that must appeal profoundly, not only to the poorer countries that would be the most obvious beneficiaries, but also to the idealism that is a potent force in the United States and other western countries. Yet the brilliance of the vision must not prevent the most careful scrutiny of the plan itself. There are many questions that must be asked, all of them pertinent and some of them disconcerting.

First there are the questions that would at once arise if the Soviet government should accept the President's invitation. Experience has shown that no watertight division can be made that will completely separate military and civilian development in the atomic field. The valuable secrets today are not the basic formulae in which the early atom spies traded, but the engineering know-how required for atomic plants; some at least of these details would have to be given to the proposed United Nations agency if it is to do any important work. Even if joint activity were limited to research, any worthwhile progress would involve the possibility of stumbling on new concepts of military value. Could not Russian scientists working as members of a United Nations team therefore obtain vital information that would serve military ends? How could even the utmost care in choosing sites for the joint operations and in surrounding the sites with precautions prevent this? Can it be that the Americans feel that their lead in secret development is now so small that it is worth trading some of it in exchange for the political advantages offered by the Eisenhower plan? If so, are they right, and how far do the British and the Canadians agree with them? And what of the Russians' own security requirements?

Secondly, although Mr Eisenhower seemed to make it a condition of his proposal that the Russians must participate, there are many questions that would arise even if Moscow finally rejected the offer. The cynical may even see in the American initiative an attempt to acquire technical know-how already possessed by the Commonwealth countries. And what of the countries that already provide, and those that may later provide, uranium and thorium ores for the atomic plants of the major powers? These countries are already anxious to assure themselves of at least a fair share of the benefits derived from their own minerals. Will they not claim

priority in the distribution of any United Nations agency's favours? Even if they can be satisfied on this score, how would any such agency decide where first to pour out its cornucopia? Atomic energy cannot be handed out in penny packets. Again, the capital investment involved will be very large; and it may be assumed that the United States would (as on so many other occasions) be expected to make the largest contributions, both in fissile materials and in other forms, to the joint enterprise. Would it then be content to see a United Nations agency which it did not control disposing of the resultant largesse? Or would there be congressional cries that this was merely another giveaway programme, and one in which Washington could not even direct its own generosity?

If these questions show how necessary it is to avoid over-hasty optimism about the Eisenhower plan, they also point to two of its most striking characteristics. First, it is an astonishingly bold gesture to be made against the background of domestic politics with which the President has to contend. Even if stunned into momentary silence, the McCarthyites and go-it-aloners can hardly be expected to swallow without complaint a project that looks like a joining of hands with the Russians and the faithless British, under the ægis of suspect Uno. Mr Eisenhower has hoisted the flag of internationalism to its full height again; and America's allies should take note that this was no easy thing to do.

Second, the plan, for all its superficial simplicity, proves, on close examination, to present some fiendish conundrums. It is therefore perfectly reasonable that the Russians should take their time over considering it. Indeed, all those concerned are going to need a lot of time to review its implications; is it yet clear, for example, that Britain and other Commonwealth countries can even accept in principle? But the mental exercise will itself be beneficial. The whole atomic problem has been shelved for far too long, and Mr Eisenhower will have achieved much if he merely sets minds in motion on the subject again, and restored an element of sanity to a dangerously emotional atmosphere.

Outlook for Exports

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Brass Helmets and Bureaucrats

PEOPLE learned the hard way during the war to take fires seriously. Before it, fire-engines were rarely much more than a bright flash of colour in a drab world—something for small boys to stare at on their outings to collect train numbers, or for town councillors to show off to visiting magnates. Until 1938 there were no standards of fire protection imposed on local councils. They could do as little or as much as they wished, and some tended to treat their brigades less as a social service than as a local pageant.

The Fire Service Act of 1947, which created the modern brigades, was a measure of decentralisation, since it split up the wartime National Fire Service. Yet by comparison with the prewar arrangements a new, centralised service was created and another trojan horse was planted within the walls of local government. The little dust raised by the Bill has long since settled and, indeed, the complaints now are not so much of interference from Whitehall as that Whitehall provides too little money. Nobody, certainly, wants to go back to the prewar disorder, when the service still showed all the marks of its ancestry. The first brigades were formed by the insurance companies, and it was with reluctance that the local authorities gradually took them over. As late, for example, as 1936, the city of Oxford, with 80,000 inhabitants and a university of semi-professional incendiaries, was protected by 40 volunteers with little full-time help. Only in 1938, with war imminent, was a system of compulsory fire protection introduced. It was never given time to prove itself, and the blitz required more drastic remedies. In 1941, the brigades were nationalised and a fully unified service formed—with the promise that, after the war, control would be handed back to the local authorities.

This was the promise that Mr Ede had to honour in 1947. In doing so, he made four main changes from the position in 1938. A different type of local authority took responsibility for fire protection; the diversity of status among the men serving in the fire service was reduced; the Home Office's powers of administration, inspection and control were strengthened; and, finally, the Treasury was persuaded to give the local authorities a 25 per cent grant to help them satisfy the new standards of fire protection.

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Most of the opposition to the Act of 1947 was provoked by the first of these changes, since it meant that the wartime pledge was only partially honoured. Instead of returning the brigades to the 1,600 local authorities who had been responsible before, it gave them to two types of authorities only—the county boroughs and the counties. Of the 135 brigades in England and Wales, 75 belong to the county boroughs,

51 belong to the counties and 9 are organised jointly. The 11 brigades in Scotland are organised regionally and come under the separate jurisdiction of the Scottish Home Department.

The county councils replaced the municipal boroughs and district councils who had organised their own brigades before the war and expected to get them back. The Act of 1947 tried to smooth ruffled feelings by providing that each county should have a special fire brigade committee on which county members would be joined by representatives of the smaller authorities. These committees now exist in all counties and apparently work without undue friction in spite of an unpromising start. But they have no financial authority and in anything requiring money can only make recommendations to the county councils.

The great advantage claimed for the postwar system over the era of the parish pump is that the larger brigades are much more flexible. In the old days a smoking chimney or a blazing factory often got, initially at least, the same treatment from the same antique machine. Now each brigade has an elaborate system of priorities. Its area of command is charted and labelled under six different categories of fire risk, for each of which there is a standard of "first attendance" determining the number of pumps to be sent when an alarm first comes through; reinforcements can be rushed up as and when the officer on the spot needs them. Each brigade has its control officer who can move his pumps about like pieces on a chess board. Help can be called from brigades over the border. Before the war this had to be paid for, and many a mansion or rich wharf was burnt to the ground because pride or penury made the local brigade slow to call for help. Now the neighbouring force is compelled to come when asked and is paid for its pains only if it regularly provides the first attendance outside its area.

This system has many of the wartime advantages of a single command; it also avoids the worst evils, at any rate, of over-centralisation. Most of the units are not too big. They vary from the London brigade, which last year had 2,000 full-time men, to Huntingdonshire, with 11 men. The regular fireman does not appear to have much to grumble about. His working week may be long by modern standards, but of the 60 to 80 hours spent on the station not all are hard labour; the problem is how to make the routine reasonably interesting. The firemen's union has built up something of a reputation for "militancy," but on the whole the service is relatively contented. The turnover of workers—a good barometer of contentment—is relatively low. Wage-rates were raised last year and again this year, so that a recruit to the service now gets £8 2s. 6d. a week; in London, there is an extra 10s. The union's main complaint, like that of the local

authorities, is that the fire service is not treated on terms of parity with the police. Before the war a fair proportion of the regular firemen actually were policemen, and until 1951, when special incentives were offered to the police to stimulate recruitment, the terms of service were identical. But the difference in status has now probably become a permanency. The fire service, unlike the police, is near to being fully staffed, and its union's bargaining position is correspondingly weaker. In tussles over wages it is the "retained" men of the service who come off worst. There are still nearly as many part-time firemen as professionals; they work at other jobs but undertake, for a fee, to turn out when the fire-alarm rings. They are employed mostly in country areas, and since they lack organisation and win their bread and butter elsewhere any rise in their retaining fees tends to follow rather grudgingly in the wake of the professionals' advances.

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There used to be another class of firemen, the "volunteers," who served free of charge because they liked it. The Act of 1947 had no place for them; but they returned in a new guise two years later, when the auxiliary fire service was started as part of civil defence. The initial aim was to recruit 60,000 volunteers, but only some 18,500 have so far come forward. The present state of the preparations for the fire service in war could not possibly be described as happy. Not only are there too few men. Though equipment is sufficient for any foreseeable training programme, there are few stocks of the things—pumps, hoses, collapsible tanks—that would be desperately needed under bombing. The reason for this is not lack of foresight but lack of funds; the fire service has inevitably to take its place in the queue for civil defence expenditure. The authorities are, as a result, concentrating on quality and there has lately been an impressive display of new equipment. There are new theories about fighting fires with self-contained mobile columns and interesting experiments are being made with plastic piping, which could be manufactured quickly in a war and might not compete so fiercely as rubber hose for scarce raw materials.

The need to provide for an efficient wartime force is one reason—or excuse—for the host of Home Office specifications with which the local brigades have to comply. The other is the economic planner's wish to control the rate of capital investment. Programmes for re-equipment or for building new fire stations (badly needed) have to be approved by the Home Office in great detail. Any reduction or increase in the size of a brigade needs sanction. Each authority's standard of fire protection has to receive the Home Office's ukase. These powers are none the less real for being wielded with great tact and circumspection. The minimum standards demanded are much higher than before the war, and costs have risen enormously. Total expenditure now runs at over £15 million and the trend is

still upward. Before the war 5d. on the rates was considered a high figure, now the cost rises to as much as 1s. 6d. Little wonder, then, that the councils are asking for the same help with fire services as they already receive with the police—a Treasury grant of 50 per cent.

But the argument could equally well be inverted. Treasury subsidies are the grave of local initiative, and fire-fighting is a service for which the county and county borough areas provide a reasonable meeting-point between the economies of large-scale organisation, on the one hand, and the advantages of local initiative and responsibility on the other. If the counties cannot at present afford the cost of the service, the change to seek is surely an expansion of their revenue rather than a contraction of their responsibilities. Rates are in principle an appropriate form of taxation from which to finance protection against fire, and the properties most exposed to fire-risks are largely those that enjoy the benefits of prewar de-rating. To restore the rating of industrial and agricultural property would enable the local authorities to pay for their own fire brigades, save them from further whittling down of their powers, and bring benefits far wider than in the fire service.

Lord Palmerston Resigns

The anxiety of the public as to the real cause of the retirement of Lord Palmerston from the Cabinet at the present moment is not a matter of mere idle curiosity. Any uncertainty upon the subject might excite a most prejudicial influence upon interests far beyond our own shores, but in which England is deeply implicated. The eminent position which Lord Palmerston has occupied in the politics of Europe during the last twenty years, and the great ability with which he so long conducted the foreign affairs of this country, have given a weight and importance to his acts in the eyes of Continental Cabinets, which would attach in the same degree to those of no other man of the present day. At any time, therefore, the course which Lord Palmerston might pursue in relation to the actual Government of the day would be matter of deep interest and importance in the eyes of Europe. But at a moment like the present, when the most critical questions remain for settlement that have occupied European diplomacy since the peace of 1815, it is impossible to overestimate the interest that will be excited by his secession from the Cabinet; and we will add, the mischief that would result from such an event, if it were believed to proceed from differences of opinion in relation to the policy pursued upon the Eastern question. Upon this point however there is, fortunately, no room for doubt. It is upon a domestic, and not upon a foreign question, that Lord Palmerston retires—upon the question of Parliamentary Reform, not upon that of Russia and Turkey. . . . The Eastern question is one upon which it is necessary to unite not only a Cabinet at home, but also the Governments of the two greatest European nations. Up to the present moment England and France have been most happily agreed. . . . It is, then, on every consideration the more necessary that it should be clearly known, that it is not upon this question that Lord Palmerston leaves the Government.

The Economist
December 17, 1853

Notes of the Week

The Tory Rebels

CONSERVATIVE MPs like to settle their differences in the obscurity of smoking rooms, and it is a symptom of deep feeling when 39 Government supporters feel driven to table a motion embarrassing to Ministers. It calls for the suspension of the talks in Cairo about the canal zone. The 39 include some of the less responsible members of the Conservative Party but also one or two of the most progressive, besides several of the more senior and respected back-benchers. This is not a group to challenge the Government to the extent of risking a General Election, but it may exercise sustained pressure, more subdued than the "Keep Left" movement of Labour days but no less insistent.

Disquiet about the Government's attitude towards Egyptian affairs has been rife on the Conservative benches for some months. Only Sir Winston Churchill's personal intervention in the 1922 Committee averted an open demonstration in October. The delay has, however, worked against the Government. Evidence of Egyptian untrustworthiness has raised the number of the Government's critics to a respectable figure; it even emboldened them to table their motion on the very eve of the Prime Minister's annual luncheon with the 1922 Committee, and just before Lord Alexander appeared before the party's foreign affairs committee in order to talk about the Suez base.

The immediate aim of the motion's sponsors is to deflect the Government from taking any decisive action during the recess. On this point they have wider support on the back benches, and in his speech to the 1922 Committee Sir Winston seems to have conceded that there is no need for hurry. But the main issue is the critics' insistence on the need for an armed garrison in the base. The Government is still willing to withdraw all but a few thousand technicians, provided there is adequate provision for "re-activation"; both Sir Winston and Lord Alexander are said to have argued that this scheme would safeguard British interests. The critics do not agree, for all Sir Winston's reported assurance that "this is not a Government of scuttle." The Government may be willing to hold its hand during the recess, but what those who have signed the motion really want is to see the cards reshuffled.

Facts About the Canal

RECENTLY things have been said in Cairo and done in the Sudan that account for the fears that the Tory back-benchers are now openly expressing. For no one can feel

entirely confident of General Nguib's ability in future to restrain political passions that can demolish treaties and their provisions overnight. But there appears also to lie behind the thinking of the Tory group a calculation that is unsound. It is argued that the alliance embodied in the existing treaty with Egypt is permanent, and Mr Enoch Powell, MP, set out in a letter to *The Economist* last week the legally impeccable case for taking this view. But to jump from this position to the deduction that British troops can and will sit permanently on the Canal is to ignore some of the political realities that even expert military opinion has come to appreciate.

Of these the most important is the validity that law-abiding Egyptians attach to the article of the Treaty that entitles them, at any time from 1956, to refer to an agreed third party the question whether the Egyptian army is or is not competent to maintain the Canal's security. If negotiations are broken off—as the Tory rebels ask—and nothing is agreed by 1956 what is likely to happen? Egypt might well propose, say, that the Security Council of the United Nations or India should arbitrate. If so, how could Britain reasonably object with any prospect of international support? Moreover, if President Nguib is still Egypt's ruler at that date, which of these third parties—or indeed any arbitrator—would be ready to declare his forces second-rate? In short, it is being overlooked that in 1956 Egypt will be in a position to take the whole question out of the sphere of law and diplomacy where it now lies into that of international and inter-racial politics. Very well, the Tories may say; we can take it. But recent experience suggests that in such tussles the former "imperialists" get little sympathy. To break off negotiations now would be to put off an unavoidable issue.

Censure on Labour

HAVING at last, after so many vacillations, decided to move a motion of censure on the Government's handling of African affairs, the Labour party's leaders are now probably wishing heartily that they had had nothing to do with it. For the debate on Wednesday can have done little to satisfy the left wing of their own party, which is clamouring for a forthright attack on the Government's colonial policy, and it has undoubtedly strengthened the personal position of the Minister they set out to discredit.

Mr Griffiths's speech amounted to little more than a summary of all the criticisms the Opposition had already made in detail before. He tried to show that the lack of confidence felt by the colonial peoples in the British Government was the cumulative result of all the crises in

ous parts of Africa. To this Mr Lyttelton and Mr Millan made the obvious reply that if anyone in this country was sapping confidence, it was the Opposition. By generating the differences between the parties and mining the extent of the agreement between them, Labour destroyed the bipartisan approach to colonial policy that hitherto been accepted. Particularly irresponsible was our action in dividing the House of Commons on issues as the constitution of British Guiana and Central African Federation, for which former Ministers share responsibility with the Government and on which it is highly unlikely that they would have acted differently if they had remained in office.

In colonial affairs, the Labour party puts on blinkers to the present and rose-coloured spectacles to look at the past. It tends, that is, to ignore places where things are going well, and to think that the last Government left us a happy, peaceful continent. Its supporters now conveniently forget that it was the present Government that allowed Tshekedi Khama to return to his native South Africa, whence he had been arbitrarily banished by Labour Ministers. The motion of censure could in effect be regarded as being a censure on Labour's attitude in opposition as much as on Mr Lyttelton's in office, and the debate has served a useful purpose only if it encourages our return to the constructive all-party approach on colonial affairs for which Mr Lyttelton appealed.

TV and Talking Out

ALTHOUGH it occupied two days—and a bit—the television debate in the House of Commons this week ended to be sterile and, in the end, farcical. Most of the constructive approaches to the controversy had already been thoroughly worked over by the peers, and MPs were able to add little of value to the argument on either side. This meant that the opposing cases were often grossly overstated, by no one more than the opening Government spokesman, Mr Gammans. Had he been more persuasive, it would have been less of an upset for the Government when Sir David Maxwell Fyfe's well-reasoned closing speech dissolved into the fiasco of the Government motion being rejected out.

For practical purposes, this incident had no lasting effect, merely postponing the vote for 24 hours. But there is something rather ridiculous about a Government failing to carry a vote on its own motion, and the seconds by which Sir David was judged to have talked past ten o'clock, the hour of the ending of debate, must therefore tend to impair the Government's control of the House of Commons. In any case it should be said that the Government and its supporters hotly contended that Sir David had in fact sat in time. Even if someone is still speaking at ten o'clock, the day can still be saved by moving the closure. This has been done by the Chief Whip with great promptness in the past and he was sitting ready on this occasion. That he remained silent suggested that he thought Sir David had just scraped home. However, experienced Parliamentarians should know the dangers of running things so

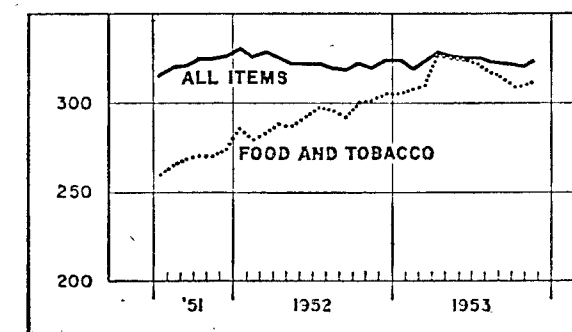
that the final scenes of uproar obscured what happened in the

debate itself but Sir David's closing words, while conciliatory in tone, in fact left the position virtually unchanged. Mr Morrison had suggested round-table talks, aimed at a compromise scheme acceptable to both sides; but since Mr Morrison was himself prepared to yield little ground in the rest of his speech, the Government could scarcely be blamed for regarding his proposal as a delaying move and little else. Certainly there is tactical sense in an Opposition attempt to delay commercial television; there are grounds for believing that it will be more popular in operation than in prospect. But for the same reason the Government, once committed, is anxious to press forward. Sir David made it clear that while Ministers will consider all practical suggestions, they will go ahead with drafting the necessary legislation and this will embody two essential principles on which the Government will not yield—breaking of the BBC's monopoly and the raising of some revenue by advertising. This was, however, the point reached at the end of the House of Lords debate when Lord Salisbury promised to consider the Archbishop of Canterbury's proposals. The Government may yet agree to the obvious compromise of allowing the new corporation some licence revenue. It need be in no hurry to make its concessions, since there will be plenty of opportunity not merely while the Bill is being drafted, but even more while it is passing through Parliament.

Threats Between Friends

MR DULLES and M. Bidault came dangerously near to rhetoric in some of the thrusts that they exchanged during the Paris meeting of the Atlantic Council. The one spoke of the "agonising reappraisal of the situation" that would be forced on his government if France did not accept the European Defence Community; the other spoke of the danger of nations reverting to old-fashioned national defence and bilateral alliance if the North Atlantic Treaty Organisation were not strengthened as a further guarantee of France against Germany. Do they really believe that either government can disentangle itself from the costly, interlocking system of airfields, bases, pipe-lines, communications and integrated staffs that have been built up at such vast expense during the last five years? That is the argument of interest. And do they really contemplate, as their hints seem to

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suggest, abandoning treaties solemnly signed and ratified? That is the argument of honour. Such cavalier treatment of mutual obligations, if that is what is implied, is deplorable.

It was always to be expected that the integration of Europe would not take place without a threat from outside. For a time Moscow provided the stimulus; now the United States seems to be competing for the role. It is difficult to avoid expressing impatience with the hesitant and dilatory way that the French have treated their own European policy; but it is most unwise to express it in the form of threats. It exposes the threatened government to the taunts of pseudo-patriots, jealous rivals, and those whose minds are charged from the currents of anti-American feeling.

For the first time the French public is seriously debating the detailed case for and against the defence community, an experiment momentous for their nation in every respect. They need assistance in the argument rather than whips to their emotions. What Mr Dulles could and should say publicly is that it is no more the desire of the United States than of France that Germany should become dangerously dominant in Europe, either through uncontrolled military revival or through attempts to change its eastern frontier by force. Dr Adenauer could hardly be mortally offended, for he has himself publicly and frequently insisted on both points.

The French Presidency

AT the time of going to press it is not known yet who will succeed M. Auriol as the sixteenth president of the French Republic. Never before on the eve of the polls has the race been so open and such a number of candidates still left in the field. A cynic might observe that all the stir created in France by the election is much ado about little. Indeed, the vote will provide few indications of the balance of parliamentary forces on the basic issues of home and foreign policy. So many side issues must affect the electors' choice, and the frontier separating many of the candidates is so thin, that it becomes impossible to disentangle a coherent policy from the temporary alignments of close to a thousand deputies and senators. With the withdrawal of M. Herriot the attitude of the various parties and groups towards EDC is unlikely to have had a decisive influence on the vote.

And yet this week's decision in Versailles is an important event in the history of the Fourth Republic. The event will be decisive if only for the fact that the period of calculation, lobbying, pulling of punches and purposeful evasiveness with the presidential election in mind will be over. Public figures will no longer have to watch every move for fear of losing presidential votes. This should be at least one step toward the clarification of the French political scene. No spectacular surprise, however, is to be expected in the selection of a new government, which must take place within a month.

What is more, the French president need not be a mere puppet and his powers may well go beyond the constitutional provisions. Clemenceau's resentful advice to

"choose the stupidest" alluded to the permanent fear of the parliamentarians that a seat at the Elysée may evoke Napoleonic dreams. Hence the prerogatives of the president have always been limited and have been curtailed still further by the constitution of the Fourth Republic. Yet, apart from his ceremonial functions, the president chooses candidates for the premiership, presides at meetings of the Council of Ministers and alone keeps the minutes of the proceedings. At these meetings he is the permanent host to usually ephemeral premiers, and this is not without psychological importance. When French deputies vote for a government they can change their mind on the morrow, but by this week's choice they will be bound for the next seven years.

Beria Into the Dock

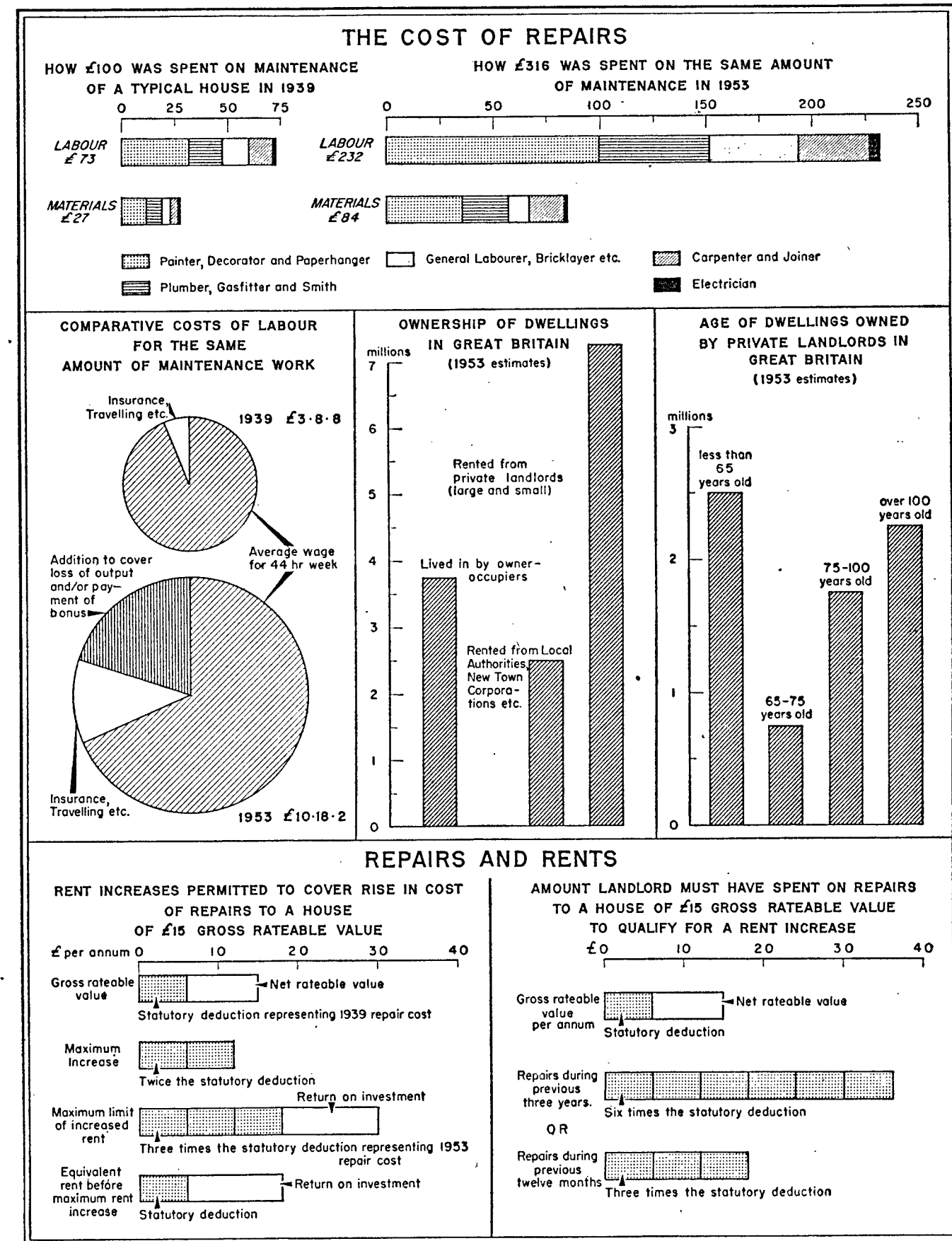
THE nightmarish Moscow trick has worked again. Six months after his downfall, the once all-powerful security chief and triumvir of the post-Stalinist regime, Lavrenti Beria, is broken and can now be put into the dock. The statement of the State Prosecutor's office announcing this—an act of accusation in miniature—repeats the charges made in July. Beria and his "fellow plotters" were trying to put the ministry of the interior (MVD) above party and state; as agents of foreign imperialism they were aiming at restoring capitalism in the Soviet Union. Some of the charges recall in their absurdity the notorious purges of the thirties. Beria apparently started his treacherous activity in 1919 at the age of twenty as a British agent in Baku. Thus one of the pillars of the Stalinist regime is now said to have been in foreign pay from start to finish.

Malenkov has managed to present the forthcoming exhibition as a "policemen's trial." The six men who will sit with Beria in the dock have all been prominent in the security services, and can therefore hardly count on public sympathy. Beria's role in the hundred days of "liberalisation" after Stalin's death is distorted. It is merely said that he then took his mask off and started replacing trusted servants of the state by his fellow plotters. Was Ryumin, who as head of the investigation branch extracted faked confessions from the Jewish "doctor-prisoners," among these trusted servants? It would seem so, since he was removed by Beria, and L. E. Vlodzimirsky, who is now among the accused, may well have inherited his post. Those who stood behind the vigilance campaign before Stalin's death are now hitting back. The trial, which should start in a few days' time, may reveal how complete is their victory.

Will it be merely a curtain raiser, the first act in a ghastly tragedy? Will Stalin be presented as a dupe or a victim? How will Malenkov's collaboration with Beria be camouflaged? It may be easy to murder Beria amid general applause, but it will be more difficult to reverse the "liberalising" trend begun after Stalin's death, when Beria was still in power. Those who conduct the trial may well ponder over Macbeth's words:

... the times have been
That, when the brains were out, the man would die,
And there an end; but now, they rise again. ...

House Maintenance



Sources: "Report of the Committee on the Cost of House Maintenance." "Houses—The Next Step." Cmd. 8996. HMSO.

Victory for Partnership

THE first results of the elections to the Federal Assembly of Rhodesia and Nyasaland came at an opportune moment for the British Government. A victory for the Confederates, with their avowed aims of substituting segregation for partnership in contravention of the federal constitution, would be bound to have raised one more African problem for Mr Lyttelton and Lord Swinton. Instead, Mr Lyttelton was able to reply to Labour's motion of censure on Wednesday in the comfortable knowledge that the party favouring partnership between the races had won a decisive victory.

The full results were not known at the time of going to press. But members of Sir Godfrey Huggins's Federal party had won most of the 26 seats filled by direct election on a common roll franchise (the electoral procedure was described in an article on page 824 of *The Economist* last week). The Confederate party's main strength was supposed to be in the Northern Rhodesian copperbelt, where there has been a considerable influx of Afrikaners in the last few years. But in fact the Federal candidates, including Sir Roy Welensky, deputy Prime Minister of the Federation, won easy victories. The most interesting result, however, was at Lusaka, the capital of Northern Rhodesia. In a three-cornered contest, Dr Alexander Scott, a Progressive Liberal Independent, was returned. He is founder and leader of the Progressive party, whose racial policy is uncompromisingly liberal. Although the party did not put up any other candidates, in order not to split the vote against the Confederates, Dr Scott's own victory is as heartening as it may be significant.

Of the African candidates, elected indirectly by the African representative councils, the two returned for Nyasaland are members of the Nyasaland African Congress, a nationalist political organisation. One of the two seats for Africans from Northern Rhodesia, where the same procedure applies, will be filled by Mr Yamba, who has been in the territorial legislature for three years. One of the Africans returned for Southern Rhodesia (mainly by a European vote) belongs to the Federal party; but it will be interesting to see whether the Africans from Southern Rhodesia will in fact line up with the Africans from the two northern territories in the Assembly. It will be a great pity if they do, for the principle of partnership will be greatly strengthened if the Federal Assembly can be divided on lines of party, instead of racial, allegiance.

Farmers' Friends

MINISTERS and ex-Ministers have lately been striking familiar attitudes towards British agriculture, though not without some rumbles of dissent back-stage. Mr Tom Williams has used a party political broadcast to commit the Labour party more firmly than ever to a policy that some of its acuter members believe to be politically bankrupt, as well as economically unwise. After some dissension, Labour supported the increase in horticultural tariffs; in his broadcast Mr Williams stated that the first necessity was to

win back the lost "confidence" of producers, which could only be done by giving them a permanent promise of guaranteed fixed prices and by retaining some state control of marketing and distribution.

In other words, Mr Williams wants to make policies he pursued while in office permanent. He thinks that an enormous change in world conditions ought to make no difference, and wishes to insulate British agriculture completely from the impact of falling world prices. Apparently he would support this policy by restricting imports, by increasing food subsidies, and presumably (when the cost of the subsidies became prohibitive) by a return to rationing. This is a permanent prescription for dear food and scarce food. The mystery is how it gets the support of a party consisting almost exclusively of urban consumers.

Conservative Ministers are not quite so simple-minded. Whereas Mr Williams did not even mention the needs of the housewife, Sir Thomas Dugdale in his broadcast could at least assure her that she would soon have plenty of food to choose from in the shops. But he could not promise her that the food would be reasonably cheap, any more than Mr R. A. Butler, when he spoke on agriculture last week, could give any assurance that the taxpayer's large bill for the support of agriculture will be reduced. Both Ministers were emphatic that agriculture must be supported, but once again they did not indicate the conditions or the limits that should be set to this support.

Protectionist Assumption

THE House of Commons last week debated the Order increasing import duties on fruit and vegetables in an atmosphere of sweet reasonableness and inter-party amity. The irrepressible voice of Sir Waldron Smithers spoke up for free trade and cheap food; otherwise, differences of emphasis and approach hardly flawed the surface of a virtual unanimity. In part, this reflects the generally accepted view that Britain must, even at a fairly heavy price, be more self sufficient in food production than comparative international costs would dictate. This is reasonable enough. What is disheartening is the list of unspoken assumptions that serve as justification for any and every piece of international barrier-building.

The debate showed, for example, the assumption that "the" industry—horticultural or other—is a homogenous concern each of whose components is equally efficient, equally vulnerable to price fluctuations, and equally sacrosanct; the notion that a fringe of marginal producers might be "driven out of business" (i.e., induced to turn to some other job) without simultaneous ruin for producers in general is apparently too abstruse and academic to be ever entertained, let alone given weight. There is the assumption that swings, roundabouts, cockshies and dodgems must one and all, as of right, be made paying propositions; there is the parallel assumption that no one should be expected, when calculating the prospects of an enterprise, to take one year with another and allow for ups and downs.

It can be argued, indeed, that market gardeners are relatively ill equipped for switching from swings to roundabouts and particularly vulnerable to ups and downs, and that this peculiarity calls for a tempering of economic winds.

It can be argued, too, that while these winds can be tempered otherwise than by international trade barriers, tariffs are an immediately applicable and familiar device on which it will take time—and a considerable education of public opinion—to improve. No such sophistication, however, appeared in last week's debate. "The" industry must have a fair price; "the" industry must be safeguarded against the unfair climatic advantages of France and Italy; the price which would keep "the" industry in the style to which it is accustomed is the price which the consumer must pay. Such was the all-party premise, and it leaves the prospects for economic rationality distressingly dim.

Palsy at Panmunjom

THE preliminary discussions which, it is still hoped, will make possible a Korean peace conference, have been broken off. At one point during the seven weeks of talk it seemed that progress was being made; the United Nations side showed its readiness to give way on the Communist demand that neutral Asian members, as well as Soviet representatives, should attend the peace conference. But no corresponding concession was made by the Chinese and Korean Communists. Mr Dean's long list of acceptable sites for the conference, ranging from Geneva and Stockholm to Honolulu, Lisbon and Rio de Janeiro, has been met by stubborn reiteration of the proposal that the conference should be in Panmunjom itself. This scarcely suggests that the Communists are eager for the conference to meet at all; nothing could be more unappetising than the prospect of negotiating through the winter months in this bleak no man's land, under the guns of two armies.

Even less promising is the Communists' insistence that the Russians must attend with full neutral status, so that they would not be bound by the conference's agreed decisions. The idea that the Soviet Union was an innocent neutral in the Korean war is one that Mr Dean may be forgiven for refusing to stomach. The North Korean spokesmen who have maintained this fiction throughout the talks ought surely to be asked if they are questioning the veracity of their own master, Marshal Kim Il Sung; for Kim, in a fulsome message of gratitude to Malenkov, has declared that the "tremendous assistance and material aid given by the Soviet people" during the Korean war "were decisive elements in securing victory."

Tourists on the Oder-Neisse

THE recent visit by a group of French parliamentarians, led by M. Daladier, to Poland, shows how far some Frenchmen are prepared to go in their opposition to German rearmament. M. Daladier himself has been for some time a notorious advocate of a revived link with the east in order to hold down a resurgent Germany. M. Soustelle, who is chairman of the Gaullist parliamentary party (URAS), allegedly went, as did his fellow travellers, in a private capacity; but his journey certainly does not run

counter to the trend of thinking displayed by General de Gaulle at his last press conference. The remainder of the group came from a variety of opposition parties; it was united only by its strong opposition to the European Defence Community.

It is not clear whether the original initiative for the visit came from the French or the Polish side. Nor is it plain what precisely the French party hoped to get out of its jaunt. What is clear, however, is that the visit fits in extraordinarily well with the present Soviet attempt to persuade Western Europe to get rid of the "American imperialists" and to draw together in a European security system directed against Germany and under Soviet patronage. It allows the Polish press to draw the satisfactory conclusion that more and more people in the West are coming to realise that the only certain guarantee of their independence and security lies "in the traditional great alliance of nations which defeated the German imperialists in the last war."

Ostensibly the visitors were to examine the Oder-Neisse frontier. This is certainly a subject the close study of which cannot be left on one side indefinitely. But M. Daladier and his friends have chosen the worst possible means of bringing it into the limelight. They have inflamed German fears that France intends to do a deal with Soviet Russia at Germany's expense; and they have aggravated French fears that if France were joined with Germany in the EDC it would eventually be dragged after its stronger partner in a new *Drang nach Osten*. This egregious piece of mischief-making would have appeared slightly less objectionable had the party brought back information about East German rearmament, which began over four years ago.

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Landlords and Tenants Again

THE Government's Landlord and Tenant Bill, now read a first time, is designed to be permanent. That of itself is a welcome change from the series of temporary measures that it will replace. The first part of a substantial Bill deals with residential property held on long lease, the second with business tenancies, the third with compensation for improvements made by a tenant and the fourth will make a number of minor but useful changes in the general law affecting landlord and tenant. The first two parts are the more controversial.

Broadly, the first part is intended to give the leaseholder in personal occupation the same protection as other tenants enjoy by virtue of the Rent Acts, but only on condition that he will thereafter pay a fair rent for the property (to be settled by the county court in case of disagreement), based on present-day values. The outcry against dispossession at the end of a long lease began in the days of the Labour Government. The answer was to pass a temporary, standstill Act that in effect gave the tenant in occupation the right to stay on while the Government made up its mind on a policy. The present Government will allow him to stay, but removes the anomaly of requiring the landlord to make a gift of an extended tenancy at the old ground rent. The Bill also deals with repairs and the recovery of their cost from the tenant if he is liable under the covenants in the original lease.

Part II of the Bill extends in two ways the principle of the Landlord and Tenant Act of 1927, that a tenant of business premises should have certain rights to demand an extension of his lease. It will remove some of the formalities that have in the past defeated many claims by tenants, and it puts premises used for professional purposes into the same category as business tenancies. Likewise, it makes an extension of tenancy conditional on the payment of a fair rent. The Bill is likely to be amended in detail in committee, but its outline should win the support of all who do not think the private landlord a social criminal; it nevertheless mangles again the shreds of any belief that the owner of property is entitled to do what he likes with his own.

The LCC Converted

THE London County Council seems to have been converted wholeheartedly to a policy of dispersing population and industry from London. The difficulties and complexities that beset this policy, despite its official endorsement, have long been apparent. They explain if they do not justify the LCC's attempts to go on building more satellite towns in and around the green belt—a programme which has been decisively vetoed by successive planning Ministers. The LCC also offered at one time to build a neighbourhood unit in each of the new towns—an offer that the Government department, perhaps unfortunately, rejected.

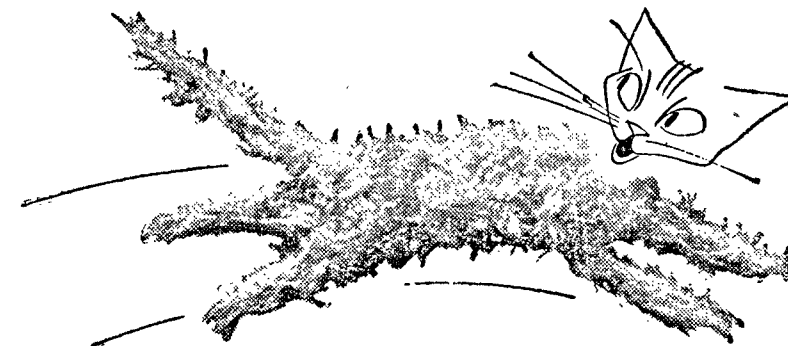
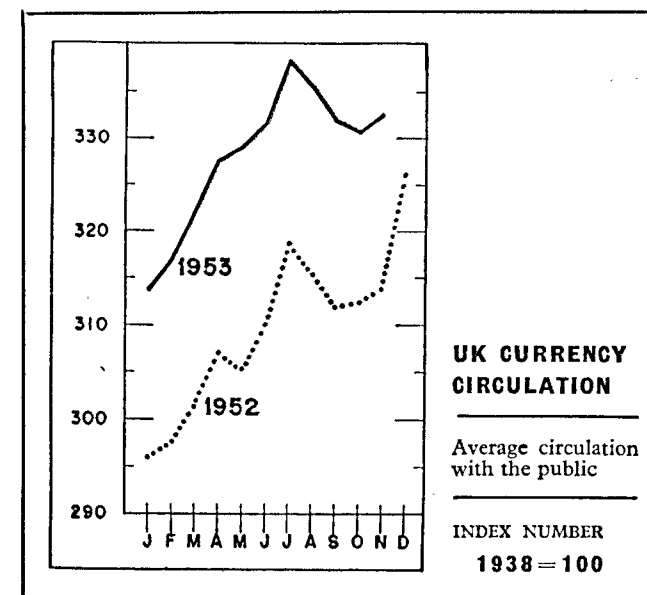
Frustrated in these attempts, the LCC is now working hard to bring about a large-scale, long-distance transfer of its surplus population through the machinery provided by

the Town Development Act. Mr Reginald Stamp, the chairman of its housing committee, told a recent meeting of the Town and Country Planning Association that "overspill" schemes are being discussed with no fewer than 60 local authorities, within a radius of 100 miles of London; agreement has been reached in principle with eight of them. The financial basis is that the LCC will pay the statutory rate subsidy for 10 years only on houses provided for Londoners. The receiving local authorities will also qualify for special Exchequer aid toward the provision of ancillary services. In several cases the LCC hopes to carry out the new development itself; three major projects of this kind would between them provide homes for 93,000 people. It would thus be building the equivalent of two or three new towns, as well as minor projects, but the programme is well within the capacity of its housing machine.

None of these proposals has yet been approved, and some are highly tentative, but in total they represent a bold onslaught on the problems of metropolitan congestion. Most of the towns to be expanded are too distant to run the risk of becoming mere "dormitories" for London workers. Indeed Mr Stamp emphasised that the offer of a house in an expanded town would be synchronised with (and conditional on) the offer of a local job. Many of the expanding towns want new industry and have a reasonable chance of getting it. But it is much more doubtful whether employment in London will be correspondingly reduced, and the success of the scheme would depend on that.

The Old Soldiers' Lot

THE three-hundred-and-fifty elderly service officers who were pensioned off under special regulations in 1919, and still survive, can have derived cold comfort from the Paymaster-General's statement in the House of Lords on Tuesday. Lord Selkirk committed the Government no further than to promise to give their case for bigger pensions "high priority" (whatever that means) at some



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Silent Witnesses

IN DAYS GONE BY, the manufacture of nitro-glycerine was controlled by men seated on one-legged stools. It was reckoned that, if the strain of unbroken concentration made them sleepy, they would fall over and wake up. Modern control methods in chemical works present a different picture. The acetone plant at I.C.I.'s Billingham works, for example, contains nearly a hundred controls, yet it is looked after by only two men—constantly on the watch to ensure that everything is working smoothly. The main factor in bringing about this great change is Instrumentation. Close inspection of the acetone plant—typical of I.C.I.'s latest practice—reveals packed rows of fine copper pipes—the “nerves” of the control system—bending in and out of the strange silver shapes of the plant itself, and converging on a control room.

Here, in the “brain” of the plant, details of levels, flows, temperatures and pressures are received by the dials and controllers that line the walls from floor to ceiling. In the centre are two great desks, and here sit the operators, who from time to time press switches and enter readings in a book. It is a far cry from the men on the one-legged stools to these gleaming panels of silent witnesses. The instrument experts who are keeping I.C.I. in the forefront of automatic control in chemical plant have their eyes on the future. Already they have ushered in the change from recording to controlling instruments. But these controllers merely hold the process conditions to levels predetermined by the operator. The next step is to provide a master control which will itself determine how the equipment should operate to give maximum output of a product of the desired quality. It is this type of control that I.C.I. chemists and instrument experts are now developing, with the full resources of a great company behind them.



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You remember I went to South Africa last year. I happened to meet a man who took me round the wonderful Wineries there where millions of gallons were being matured for the British market.

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These South African people certainly keep on improving their wines—especially their sherry. It's a credit to them.

That's what comes of selecting and maturing and waiting and keeping on doing that, and the longer it goes on the better the quality becomes.

I must say this is one of the finest Sherrys I've ever tasted.

Well, keep on drinking the best South African Sherrys and you will find the quality will astonish you.”

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ASSOCIATION
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indefinite future date when purse strings need not be gripped so tightly. The Government has not yet heard the last of this matter; although the Labour Party did nothing for these old soldiers when in power, critics on both sides of the House of Commons are determined to press for a change of heart on what they consider to be a clear moral issue.

The regulations made in 1919 laid down that these pensions might rise or fall by not more than 20 per cent, according to changes in the cost of living. Prices had fallen considerably by 1935, but the pensions were not allowed to drop all the way down with them; instead they were stabilised in that year at 9½ per cent below their original level. The officers therefore gained slightly on the downward swing, but they lost heavily on the subsequent roundabout of inflation. Since 1935 the cost of living has risen by nearly 150 per cent, but the pensions have remained constant; and since the 1935 decision was taken unilaterally they now feel justified in complaining. They can also claim that the cost of restoring their original rights under the regulations of 1919 (about £210,000) is paltry by the standards of modern budgeting. The Government's answer is that this would let loose a snowball of other claims; but only those civil servants, whose pensions were also stabilised in 1935, have a case that is strictly comparable. It is a fair criticism that the officers would have gained their case long ago if they had had a union or other pressure group behind them.

Wandering Scholars

THERE was a time when students could move about Europe from one seat of learning to another almost unhindered by barriers of language, ideology or regulations. Last week in Paris the Committee of Ministers of the Council of Europe did something to restore the student's freedom. Five conventions were signed, of which the most important will materially help young people from any of the sixteen member states in their search for admission to the universities of any of the others.

In most European countries governments can control the policies of their universities in such matters as the qualifications needed for admission; this new agreement commits them to accepting international standards. A diploma allowing a French student to apply for a place at the Sorbonne will in future be equally useful in his attempts to enter, say, a Dutch or Italian university. The diploma does not, of course, guarantee admission, but at least he or she is saved from taking some troublesome new examination before applying.

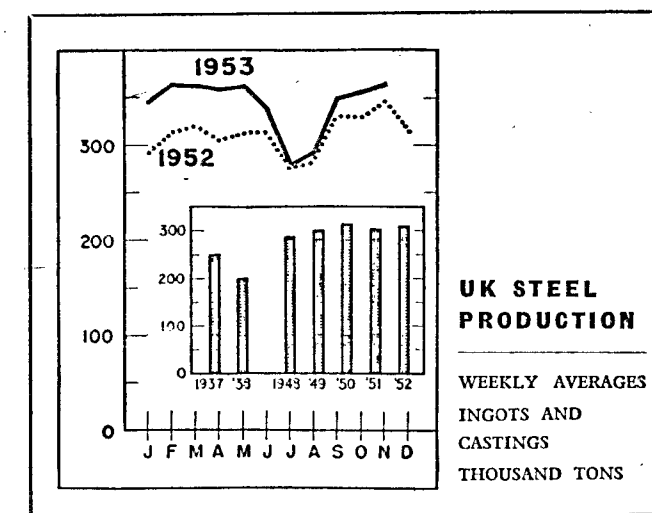
It would be impossible for the British Government to lay down the law to universities in this country about what qualifications they are or are not to accept. The most that could be done at Paris (and an escape clause was specially inserted in the convention to meet the case) was to promise to pass on the text of the convention to the universities and try to persuade them to accept its principles. Though the qualifications demanded of British students are now fairly uniform, the universities have shown themselves very unwilling to promise acceptance of equivalent qualifications

from students coming from outside the Commonwealth and the United States. In practice exemptions are often granted, but foreign students and officials are understandably perplexed by this apparent anarchy. In a year's time the treaty powers have to report progress. It is desirable that the British universities should by then give proof that they really want to make things easier for the wandering scholar, who has never shown much skill at finding his way through a tangle of regulations.

German Banks Protest

A SHARP rebuke has been issued jointly by German private banks to the ministries in Bonn which conduct foreign trade negotiations. They warn them not to conclude or discuss without the knowledge of the banks agreements that involve the long-term financing of exports. They point out that in future the banks' resources must not be committed in this way. This protest has been occasioned by the recent government agreement with Greece, which promised the delivery of DM 200 million worth of engineering products from Krupp and other firms on eight years' credit. It confirms the report that appeared at the time in *The Economist*, that no provision seemed to have been made for financing the agreement, which—apart from technical difficulties—would involve longer credit than the Export Credit Company is empowered to grant. After the bankers' démarche, it is not clear whether the pact with Greece can be regarded as finally valid.

Any *Schadenfreude* in London over this hitch would be out of place. If the Germans had been ready to risk money in helping Greek development, it would have been all to the common good. On the other hand, if they find the risk too great, it is reassuring to know that there are important steadying elements in Germany which insist on orthodox trading methods. Nobody but the Communists would benefit if German industry were to land itself one day in an economic Stalingrad, because its leaders were too anxious to export to under-developed countries, and believed that courage and will-power alone were enough for the purpose.



Letters to the Editor

Middle Eastern Alternatives

SIR—Mr J. Enoch Powell, in his letter published in your issue of December 12th, has tried to argue about the competence of the United Nations, with regard to the future request by the Egyptian Government to exercise Egypt's right, under the 1936 Treaty, to appeal in 1956 to the United Nations against the presence of British troops in Egypt.

I am not going to discuss whether the United Nations is a continuation of the League of Nations—such a discussion being beyond the limits of this letter—but may I just remind him of Article XXXIII of the United Nations Charter, which states that the parties to any dispute, the continuation of which is likely to endanger the maintenance of international peace and security, shall, first of all, seek a solution by negotiation, inquiry, mediation, conciliation, arbitration, judicial settlement, resort to regional agencies, or arrangements, or other peaceful means of their own choice.

I would also draw his attention to Article XXXVII, which states that should the parties to a dispute of the nature referred to in Article XXXIII fail to settle it by the means indicated in that article, they should refer it to the Security Council.

May I add that it is highly improbable that Great Britain would seriously dispute the ability of the Egyptian Army to ensure by its forces alone the liberty and security of navigation of the Canal, for several reasons, amongst which suffice it to mention:

1. That Great Britain had already agreed in 1946, during the Sidky-Bevin negotiations, to evacuate all her naval, military and air forces from Egyptian territory by September 1, 1949; which meant that the British Government admitted the ability of the Egyptian Army to ensure the entire security of navigation of the Canal: that is, to discharge the task for which the British forces were allowed, under the terms of Article VIII of the Treaty of 1936, to be stationed in the Canal Zone.

2. That the issue would be fought not only under the terms of the 1936 Treaty, but also under the terms of the Treaty of Constantinople of 1888, whose provisions are not at all favourable to the British having a military base in the vicinity of the Canal.

3. That in 1936 the British Government agreed to retain only 10,400 troops to defend the Canal. This number could

easily be replaced by a far greater Egyptian force.

As regards Mr Powell's assertion that the new Treaty between Britain and Egypt "must" provide for an alliance, I would simply point out to him that if friendship will prevail in Anglo-Egyptian relations, it could never be based on a "must."—Yours faithfully,

A. E. ABDEL MAGID
Egyptian Embassy, W.1

A Bullish Bulletin

SIR—The note in your issue of December 5th fails to examine the facts as carefully as consistency with your own criticisms would require.

1. You state that, in discussing British and West German competition in the Middle East, the latest ECE Economic Bulletin for Europe does not mention political factors. Our first sentence on this subject explicitly refers to "political factors working in favour of West Germany and against the United Kingdom in some countries."

2. You say that (except in Persia and Egypt) West Germany has made "only marginal inroads . . . in Britain's markets in most countries" of the Middle East. We did not suggest anything more, though you reported on September 19th that German exports to these countries showed a "substantial increase." At the same time, British exports fell, especially to Egypt but also to other countries of the area except Iraq. Regarding that country, you state that "West Germany has actually lost ground since 1952." You must have looked at the wrong figures in our table: while West German imports fell slightly, its exports to Iraq rose from the first half of 1952 to the first half of 1953 and, in the third quarter, were 2.7 times as great as a year ago.

3. You accuse our Bulletin of "irrelevantly coupling" the foregoing developments and East-West trade. These topics were discussed quite separately, and no attempt was made to establish any connection between them.

4. You state that we no longer emphasise the price factor as an obstacle to East-West trade. Let me refer you to the long special article on East-West trade in our penultimate issue.

5. You question the suggestion that, following the trade agreements recently concluded with the USSR by several western European countries, they may be able to make "substantial savings in dollar imports." While our analyses have never led us to think that increased East-West trade could solve the dollar problem, I am surprised by your doubt

that it could make a significant contribution.

6. You allege that one of our tables conveys the impression that Rumania had fulfilled its housing plan to the extent of 97 per cent, whereas it has so far averaged only 62 per cent during the first three years of its five-year plan ending in 1955. The latter statement is correct (except that it should have referred to the first two years, since 1953 results are not yet known) and emerges unequivocally from the very table you criticise. That table, covering three eastern European countries, clearly distinguishes between their original five-year plan targets, the much lower results so far achieved, and the far higher goals now set in the annual plans for 1953 and later years. It is not a "heinous sin" but surely a matter of general interest to sum up past and planned figures (clearly identified as such) and to see that, even if the new targets are hit, the volume of housing construction achieved in all three countries will still be below that envisaged when the long-term plans were drawn up—as much as one-third less in Czechoslovakia and two-fifths less in Hungary, the two countries which you did not mention. I cannot share your fear that our table would confuse the "ordinary reader," though he would be misled by your comments on it.

7. You say we have no basis for stating that "considerable numbers of farmers who had left for western Germany have now returned to their farms" in the Soviet zone. It was, I should think, clear enough from the context that the statement (preceded by "it was reported") was based on East German sources. You are, of course, free to think that our wording, vague though it was, may imply an overstatement of the actual movement or to doubt that it has occurred at all. In that event, my own judgment, based on evidence available to us, would have to differ from yours.—Yours faithfully,

HAL B. LARY
Economic Commission for Europe,
Geneva

[On Mr Lary's first point, we acknowledge that the phrase he quotes does invalidate our word "mentioned." We should have said that the political factors which dominate British trade with Egypt and Persia received no more than a passing mention in the Bulletin.

As for the other points, it would take a great deal of space to deal with Mr Lary's contentions in full, but the general point is that in our view the ECE Bulletin is more optimistic about the prospects of East-West trade than the facts warrant or than the caution proper to an official organ when dealing with controversial matters should have permitted. But (since the question has been raised elsewhere) we would add that we do not in any way impugn the honesty of the secretariat of the ECE or doubt their good faith; nor do we think they can properly be accused of a pro-Soviet bias. ECE has a natural interest in East-West trade, for this is now almost the only field of endeavour where it has no competitors. We intended to suggest that, in their latest bulletin, the authors had allowed their enthusiasm to run away with them—but no more than that.—EDITOR.]

Scandinavian Neutrality

SIR—The tendency towards a united Scandinavia has made itself felt since the Middle Ages. Since about 1850 this tendency has again come to the front in potent movements, chiefly with cultural but sometimes also with political objects. An important political object was reached by the creation about a year ago of the Northern Council. The attempt at creating in 1948 a Scandinavian league of neutrality was wrecked mainly on Norwegian scepticism, and this was a great disappointment to many people in these countries. As things have developed in Europe in the last year, I am convinced that the time has now come for a change. In order to reach a peace scheme in Europe, I think the western powers, in return for the neutralising of Eastern Germany, should offer the Russians a neutralising of Denmark and Norway, as these two countries might enter a Scandinavian alliance.

As emphasised by Sir Winston Churchill on November 3rd, there are many signs of the Russians wishing to devote their energies to the economic building up of Russia itself, and consequently they must be interested in a peace plan and in a relief of the present tension. For the western powers it would not be an essential military regression if Denmark and Norway left Nato and entered a properly armed Scandinavian league of neutrality. To Denmark and Norway it would not mean any decrease of their security, but it would mean that the Scandinavian peoples would at long last be able, without hindrances, to develop their community and use their chance of obtaining real independent, political, and cultural importance in the world. I believe that it is an intuitive feeling of these possibilities that makes the Danish population hesitate before further integration into the Atlantic Pact.—Yours faithfully,

PER CHRISTENSEN
Uppsala, Sweden

Scientists and Mathematicians

SIR—I write to point out certain erroneous implications in your article last week. A little reflection will, I am sure, convince you that it would be quite impossible for the universities to swallow, permanently, 45 per cent of their own honours graduates in the faculty of science; such an intake would more than double the science faculty staff in two years. The majority of this group of 45 per cent re-emerge two or three years later, usually complete with a PhD, and proceed to industry. The main recruitment to industry, in chemistry at least, is now certainly at the PhD level.

Even in recent years of university expansion, I doubt whether as many as 5 per cent of the honours graduates in science have remained permanently within the universities; and in more stable conditions the percentage will be even smaller. Those who proceed to

research are certainly lost to school teaching; but their normal destination is industry and non-university research, which thus appear to secure, within a few years of graduation, some 70 out of every 100 honours science graduates. The schools could secure only a small increase of highly qualified science teachers at the expense of the universities: in this respect I find your article somewhat misleading, and the problem even more serious than you suppose.—Yours faithfully,

ALEX. H. LAMBERTON
The University, Sheffield

[Mr Lambertson's complaint is against the Advisory Council's statistics, not against our article, in which the universities and industry were throughout treated as the joint, not the several, competitors of the schools.—EDITOR.]

Colonial Bogeyman

SIR—The American Negroes, appropriately enough, have a song which runs, "It ain't what you do it's the way that you do it. . . . That's what gets results." No one would deny the importance of decisiveness in any Minister of the Crown, but obviously in Britain's relations with non-British peoples, whether inside or outside the Commonwealth, the personal element and the way that we do it will count far more than in the domestic affairs of our own comparatively homogeneous society. If affairs in Trieste, for example, go wrong, we can be sure that at least our Foreign Secretary's personal qualities have not helped to aggravate the situation. Are we not entitled to feel the same confidence in our Colonial Secretaries, of whatever party?—Yours faithfully,

London, N.W.8 FRANCES BOYD

Battle for the Savoy

SIR—The attempt made by an outside party to corner the shares of the Savoy Hotel has attracted widespread and diverse comment. Similar attempts became frequent enough in India in recent years to lead to legislation which now lays down that no change in the direction of a company can be made without the consent of the appropriate government authority, who will not allow the old directors to be thrown out unless the person demanding the change is able to demonstrate gross mismanagement or neglect of shareholders' interests.

I venture no opinion as to the merits of the Indian law but merely draw attention to its existence for information.—Yours faithfully,

JOSSLEYN HENNESSY
Hopeman, Moray

★

SIR—I would question Mr Kinnear's diagnosis of the cause of recent takeover bids in your issue of December 5th.

Is not the reason for these bids that present low distributions to shareholders have, in many cases, had an adverse effect on Stock Exchange values? Specula-

tors are thus able to make seemingly fair offers for shares which have been artificially depressed as a result of past inadequate dividends. Surely another case of "too little and too late"! The answer to these bids lies in a more courageous dividend policy on the part of directors.

It is still a recognised accounting principle that a balance sheet is an historical document and does not purport to show the present value of fixed assets, but if revaluation is attempted it must be repeated each year if it is to be consistent. Already the I.C.I. valuation is out of date (being, in fact, carried out in 1950 and not 1952 as stated by your correspondent) and fails to show either the current value or historical cost.

If a company (very commendably) wishes to give shareholders details of the approximate current value of fixed assets the value adopted for insurance purposes could be stated as a note to the accounts.—Yours faithfully,

D. F. GOSCH
London, N.W.3

More Smoking

SIR—It is not so hard as your Note suggests to show that higher food prices have brought hardship to many people. Malnutrition is not made into a myth by a chart showing that total consumption of food has declined by less than 1 per cent while prices have risen 3 per cent.

It is quite obvious that the poorer families both spend a higher proportion of their incomes on food and that the range of food they buy is narrower than for other sections of the community. Secondly, it is a demonstrable fact that the prices of staple foodstuffs have risen by a far greater amount than those of other types: indeed a fall in prices of what are widely regarded as luxury foods has been reflected in the comparatively small movement of the food index as a whole.

Thus, since the population is not a homogeneous whole, it follows that the poorest sections have felt the rise in food prices to a much greater extent than others: railwaymen's wives will not be convinced by your "proof" to the contrary. The fallacious nature of your reasoning is further shown by the statement that "while a little less beer was drunk . . . the money saved there went on more wines and spirits." This clearly suggests that you regard beer- and wine-drinkers as being the same people. What evidence is there for this assumption?—Yours faithfully,

PEGGY COLE
London, W.11

[Food prices in October were only 1 per cent higher than at the beginning of the year, according to the official index—which relates to working class expenditure and includes few luxury foods. Without statistical evidence it may perhaps be assumed that beer drinkers sometimes like a drop of gin. And what answer is there to the argument that if people can spend so much on tobacco they can afford to buy enough food?—EDITOR.]

Books & Publications

Born to be Scarce

THE DOLLAR.

By Roy Harrod.
Macmillan. 156 pages. 9s. 6d.

THE Sir George Watson lectures on "American History, Literature and Institutions" are delivered in alternate years by distinguished American and English scholars. This year, the lecturer's mantle has fallen on Mr Roy Harrod, who chose as his subject the story of the dollar from its evolution out of the old Spanish pieces of eight in the eighteenth century down to the present day, and a little beyond it. In the first two lectures, Mr Harrod sticks fairly closely to his historian's last; in the last two he strays, with apparent relief, into wider comments on general international financial problems.

The main task of the internal monetary system in the United States in the past one hundred and fifty years has been to keep out of the way of the country's ebullient industrial expansion. It has always been a matter for wonder that that system, which has been built up by odd officials and bankers who have been extraordinarily expert but has been distorted at almost every turn by elected politicians who have been extraordinarily ignorant, has been in any fit state to take this necessary avoiding action. Mr Harrod's scholarly comments on the principal characters involved in the dollar's history intensify this wonder, rather than explain it away; it is not clear whether this is a reflection on his researches, or a reflection on the unimportance of monetary theory in an expansionary and competitive economy. Perhaps the most valuable feature of the purely historical sections of his book is his emphasis that the dollar gap is a long-standing phenomenon: that

the big change occurred three quarters of a century ago, and that ever since the United States has had a surplus on visible trade account. What is new in the present situation is not this surplus, but the disappearance of ways in which it has heretofore been met.

Perhaps the most striking sentence in the book, however, occurs fifty years later down the chain of history, when the analysis has reached the eve of the world slump of 1930:

Expert forecasters continued to minimise the scale of readjustment that would be needed, and to pin hopes on the powers of the Federal Reserve, by making credit very easy, to tide the economy over its troubles when the readjustment came.

One of the functions of a good historian

is to make present-day readers shudder; Mr Harrod here makes a palpable—though probably unintentional—hit.

The history of the dollar in the nineteen forties in this book suffers from the fact that Mr Harrod has taken an active part in the controversies discussed; and, like all controversial economists, has sometimes been very wrong. The sad switch from Keynes's clearing union to Harry Dexter White's stabilisation fund is described with admirable fairness; some day somebody is going to say that White's opposition to Keynes's clearing union set the basis for continuing American policy (including Republican policy) and a continuing Russian interest, but the innuendo of deliberate intent will be quite unfair. While being scrupulously fair to White as an economist, however, Mr Harrod is also a little too fair to himself. In this book the scarce currency clause in the IMF's charter still has to be classed as a signally bright idea, in spite of the fact that it has failed; and the devaluation of sterling to \$2.80 in 1949 still has to be classed as a signally stupid action, in spite of the fact that it has succeeded. The consequences of that devaluation are discussed without any reference to its effect on the overseas sterling area's purchases of dollar imports; this is Hamlet without the Prince.

In the last section of the book Mr Harrod again brings out his current King Charles's head: that the dollar price of gold should be doubled. The argument here is marshalled with the brilliance that Mr Harrod has shown in waging all his other controversial campaigns in the past fifteen years, both those that can be seen in retrospect to have been obviously right and those that have proved equally obviously wrong. At one stage, in discussing the role of a gold reserve in war, Mr Harrod excels himself:

Britain, a comparatively small power, and waging war on a much smaller scale than would the United States in the circumstances envisaged, overspent externally some \$50 billion in the Second World War. Revaluing approximately for the change in the purchasing power of the dollar since the time when the money was spent, this may mean about \$90 billion now. There is only about \$22 billion worth of gold in Fort Knox.

An Englishman can be excused if he does not unreservedly recommend this passage to students, but expresses the hope that it will be widely read in the United States.

Chamberlain's Heir

MY POLITICAL LIFE. Vol. II. War and Peace 1914-1929.

L. S. Amery.
Hutchinson. 536 pages. 25s.

MR AMERY'S second volume maintains the high level of its predecessor, and the reader finds himself embarked at once on the swift-flowing narrative of a vigorous career. The diversity of the author's wartime activities is quite astonishing. Others may have played more important parts but none, one might hazard, so many and so various. He galvanises the Unionist leaders into sending to Asquith their famous promise of support; drafts a scheme for building up the new armies on a "Territorial" basis; becomes Director of Civil Recruiting for the Southern Command; crosses to France and secures information from German prisoners which may have saved Ypres; writes a handbook for the use of British troops in the Balkans; dines with too convivial Russians on the Danube and visits Gallipoli; back to England where he works for conscription and the overthrow of Asquith; is torpedoed in the Mediterranean, but gets back in time to persuade Lloyd George, through Milner, to convert the Imperial Conference into an Imperial War Cabinet; suggests the Irish Convention; drafts the Balfour Declaration on Palestine; helps Sir Henry Wilson to organise the Versailles Inter-Allied Council of 1917. After all this, and with the war over, he is rewarded with the Under-Secretaryship for the Colonies, not on his merits but because Milner refused to take the Colonial Office without him.

The later and larger part of the volume is more or less equally divided between the general politics of 1919-29 and the author's departmental activities, at the Colonial Office, the Admiralty, and again the Colonial Office during the same period. The departmental chapters have their own specialised interest. At the Colonial Office Mr Amery was an ambassador in bonds; he could not do the things he most wanted to do. On general politics Mr Amery is interesting on the downfall of the Lloyd George Coalition because he approaches the familiar theme from an unfamiliar angle. He was one of the rebel Under-Secretaries who found a leader in Baldwin, but for him the prime object was the elimination not of Lloyd George but of Churchill, the most formidable of the champions of free trade; for Mr Amery, far more than Austen, more even than Neville, was the political heir of Joseph Chamberlain. Austen had inherited his monocle, Neville his business acumen, but Mr Amery had shouldered, "whole hog," the mantle of Tariff Reform and Salvation by Zollverein. From his standpoint the crucial blunder of the 1920s was Baldwin's appointment of Churchill in 1924 to the Chancellorship from which he could dominate the Baldwin Cabinet and frustrate the professed policy of the Conservative party.

Diplomacy Dissected

THE DIPLOMATS, 1919-1939.

Edited by Gordon A. Craig and Felix Gilbert.
Princeton University Press (London: Geoffrey Cumberlege). 723 pages. 58s. 6d.

THESE twenty-one essays, by seventeen American historians, aim at explaining how international relations were conducted by diplomats during the twenty years of mismanagement and crisis between the last two great wars. The period is not an ideal one for the study of diplomats at work—not because it is so recent, for that carries the advantage (of which the authors have made some use) of providing evidence for the historian from talks with principal participants; nor because the unpublished archives are so very rarely accessible; but because the professionals in the great game of diplomacy, who took their profession seriously, were so often at this time outplayed by the amateurs. More might have been made of this, had there been room among so many specific studies for a general survey of the channels through which powers can best deal with each other. Of the conspicuous international figures, only Chicherin, Curzon and D'Abernon in the twenties, and only Benes, Henderson, Litvinov, and Perth in the thirties, had had any practical diplomatic experience in earlier life; of these seven, only Benes was master in his own house, and the power for which he was responsible had neither the strength nor the geographical situation to pursue an independent policy. The permanent heads of great foreign offices, holding posts from which world-embracing decisions had been made in the days of Holstein or Sir Arthur Nicolson, were now reduced to waiting on the word of the dominant party in the state. The dominant party, in turn, waited either on the word of a "public opinion" that was headstrong and timid by turns, and always ill-informed; or on the word of a self-made autocrat whose passing whim was law.

"The Diplomats" is an eminently scholarly and cautious book, conscientiously tentative in doling out praise and blame and necessarily limited in outlook. Some of the most outspoken comments are to be found among the thirty-one excellent photographs (to which some maps might usefully have been added). Good writing conceals, on the whole, the stodginess of much of the subject matter (though such phrases as "Henderson hewed to his main course" can grate); and while some of the commentary is not without platitude, there were shrewd judgments and apt comparisons. For example, the experience of one German ambassador in 1939 is aptly likened to

that of the protagonist of Kafka's *The Castle*: the same hopeless attempt to reach the masters who neither wanted nor released him, the same incapacity to grasp the nonrational rules by which the Castle operated, the same ambiguous treatment by the lower officials, and the same blind effort to serve rather than merely to obey.

The student who masters this long text, and pursues the references in a myriad footnotes, will acquire a close acquaintance with the events of a score of dismal years. But the causes of international malaise and their cures, the mainsprings of policy, the nature of that loathsome magnetism by which the great dictators enslaved a continent will remain hidden.

Wool Through the Centuries

A SHORT HISTORY OF WOOL AND ITS MANUFACTURE.

By E. Lipson.
Heinemann. 205 pages. 12s. 6d.

FROM the twelfth to the nineteenth century the manufacture of wool and worsted was England's premier industry, and it still employs more than 200,000 people. Mr Lipson gives, principally for England, an authoritative and lucid account of the evolution of the industry; he has included, with revisions, parts of his earlier publication, "The History of the English Woollen and Worsted Industries," and the results of new researches. The book will be useful as an introduction for students and others interested in the woollen industry.

Part I deals with the production of wool, and an interesting review is given of the agrarian revolution in England from the fifteenth to the eighteenth century with the expansion of wool output resulting in depopulation of the countryside and social unrest. The world's production of wool has increased by only one-third in the past half century notwithstanding the growth of the population and higher standards of living. Wool is being increasingly produced in mixed farms instead of on big stations, and this, together with the trend towards breeding sheep for mutton, is tending to put up the price. South Africa is an exception to the general trend. Mr Lipson asserts that the potentialities of the sheep industry there have not yet reached their limit. He notes that the wool produced by Australia, New Zealand, South Africa and England is mainly sold in open competitive auctions, whereas that produced in the United States, Argentina, and Uruguay is sold by private treaty. The many varieties of wool have made the organisation of futures markets difficult. Although the United States, like Britain, is an importer of wool, it imposes a tariff for the benefit of home farmers, with the result that the cost of the raw material is high and exports of cloth from the United States negligible.

In the second part Mr Lipson describes the gild system, the domestic system, and early forms of the factory system in England. People who sing the praises of the domestic system are reminded that it imposed long hours, low wages, child labour and monotonous toil. Mr Lipson contrasts the organisation of cloth manufacture in the west of England, where the clothier was an entrepreneur or trading capitalist, with that in West Yorkshire, where the

master was also a craftsman and where it was easier for a wage earner to become a master. He gives reasons for the decline of East Anglia and the west of England and for the supremacy of West Yorkshire, emphasising that Yorkshire workers were less opposed to new inventions. He reviews the main manufacturing processes and gives special attention to the economic and social effects of inventions. The distress of hand-loom weavers and hand combers during their long and unavailing struggle with the power loom is used as an illustration of the short-term clash between economic progress and social welfare.

The durability of English textile machines, many of which are fifty to eighty years old, has resulted in recent years in a slow rate of replacement and in a lack of stimulus to new inventions. Mr Lipson says that "a large extension in the use of automatic machinery, particularly in winding, warping and weaving," would have advantages; but he points out that British exports depend on quality and that any changes in methods which sacrificed quality to quantity would be detrimental to the industry. Export difficulties are shown by the rise of 139 per cent between 1914 and 1939 in the average *ad valorem* duty payable abroad on a 16-oz British cloth.

Brief mention is made of manufacturing methods and organisation in the United States and France; only incidental references are made to Germany, but Mr Lipson notes the emergence in the interwar years of Japan as a wool manufacturing country specialising in worsteds for tropical wear.

The Evolution of Sea Power

THE NAVY AS AN INSTRUMENT OF POLICY, 1558-1727.

By the late Admiral Sir Herbert Richmond.
Edited by E. A. Hughes.
Cambridge University Press. 404 pages. 60s.

"HE that commands the sea," wrote Bacon, "is at great liberty, and may take as much and as little of the war as he will." A history of naval policy is necessarily a commentary on that text. With each new war the argument develops between those who favour a "continental" strategy and those who prefer to make the main effort by sea. It is one of the virtues of the late Admiral Richmond's detailed narrative of the evolution of sea power up to the reign of George I that he shows how the two schools were often more in harmony than would appear at first sight: troops may have to be sent to the Low Countries, for example, in order to give effect to a policy of blockade or to maintain a continental alliance.

During the period covered by this book one can watch the evolution of a true doctrine of sea power. It is not merely a question of the size of battle fleets: it involves the volume of trade to be protected; the value of the merchant marine in providing a pool of

seamen that can be drawn upon in a crisis (thus freeing the state from the modern burden of maintaining a standing Navy); and the number and quality of overseas bases. On such subjects this book provides a wealth of illustration. But on the whole it is disappointing. The lay reader may well find the operational details tedious (though tactics are excluded), and the specialist will be disappointed by the absence of new material. Since the manuscript was completed in 1942 (Sir Herbert Richmond died before completing a second volume), no use has been made of work done since that date.

Nor are we told that in 1943 he drew upon this draft for his *Ford Lectures*, later published in an extended form under the title of "Statesmen and Sea Power." As the latter book takes the subject up to the present day, and yet includes more of the author's weighty comments on the events which he describes, it can be considered a work of more mature historical writing. The present volume suffers from an inadequate index and is published (by a university press) at an unreasonable price.

The American Rich

SHARES OF UPPER INCOME GROUPS IN INCOME AND SAVINGS.

By Simon Kuznets. Assisted by Elizabeth Jenks.

National Bureau of Economic Research. 725 pages. \$9.00.

THE size of this book is a reflection both of the complexity of income statistics and the care which has gone into this particular research. It puts on record the extent of the social upheaval that has been going on in America since the 1930s. Unfortunately it has had to be confined only to the top 7 per cent of income receivers because the basic material is just not there to allow a complete analysis of income distribution over any length of time. This study has involved a very patient assembly of facts from tax returns and, until recently, these covered only a small fraction of the total population at the highest income levels. But although the rich are only a small group their savings make a large contribution to the total which makes this analysis important on that score alone.

Dr Kuznets finds that the slice of total income going to the top one per cent of the American population, before taxes, dropped from 12 per cent in 1939-40 to 8½ per cent in 1947-48; after taxes the fall was from 11 to 6 per cent. The dependence is traced of the upper group on property incomes and the way in which their share has declined with the improving incomes of the wage-earners. These are statistics which answer the question—who are the rich? They show how they have been educated, where they live and the size of their families. There is a wealth of information here both for the economist and the sociologist.

An Indian Critic of Nehru

NEHRU: THE LOTUS EATER FROM KASHMIR.

By D. F. Karaka.

Derek Verschoyle. 114 pages. 10s.

THIS book is the work of an Indian journalist who describes himself as one of "a whole generation in India whom Jawaharlal Nehru has let down." Being let down is always relative to promise or expectation, and a violent revulsion from an extravagant hero-worship is unlikely to produce temperate or fair-minded criticism. The bitter tone of Mr Karaka's book is too obvious for it to be regarded as a dispassionate estimate of the Indian Prime Minister and his work. It is, nevertheless, an extremely formidable indictment of a man who for better or worse is one of the leading figures of the contemporary world.

The author's main complaint is that Mr Nehru has established a kind of personal rule which is capricious, inefficient and harmful to India both at home and abroad. He claims that Mr Nehru "is not at home with matters of a concrete character, which unfortunately comprise seventy-five per cent of the whole range of governmental activity" and that "he cannot come to grips with any issue which involves a proper study of data"; in spite of this, he constantly overrides cabinet colleagues on matters in which they are specially competent and is subject to continual changes of mind under various personal influences, often reversing cabinet decisions on his own arbitrary authority. He is, according to Mr Karaka, excessively irritated by any adverse opinion and his intolerance of criticism is tending to grow. This attitude places difficulties in the way of efforts to ensure honest administration; thus a recent report of the Auditor-General disclosed financial irregularities in the diplomatic service, but avoided mentioning any names, because persons appointed by Mr Nehru were involved. It is even more serious when the Prime Minister commits the government to policies in flights of rhetoric without regard for the consequences, as when he said: "Let us make up our minds to live on the food we produce or die in the attempt." Quite a number of people have indeed died of starvation in India.

Mr Karaka admits, however, that Mr Nehru still has a very strong hold over the masses of the Indian people, or, as he puts it, "his record as a capable administrator is nil, but his personality as an individual is irresistible." He has become a legendary figure, and many in India hold that it would be far better both for the country and for his own reputation if he were now to hold aloof from day-to-day politics and function as a national, unifying force above parties and factions. But it seems to be contrary to his character to assume such a role. "In his cricket eleven," says Mr Karaka, "he wants to bat, bowl and field, all at the same time, and if he could, be umpire as well."

Sister to Phœbus

GUIDE TO THE MOON.

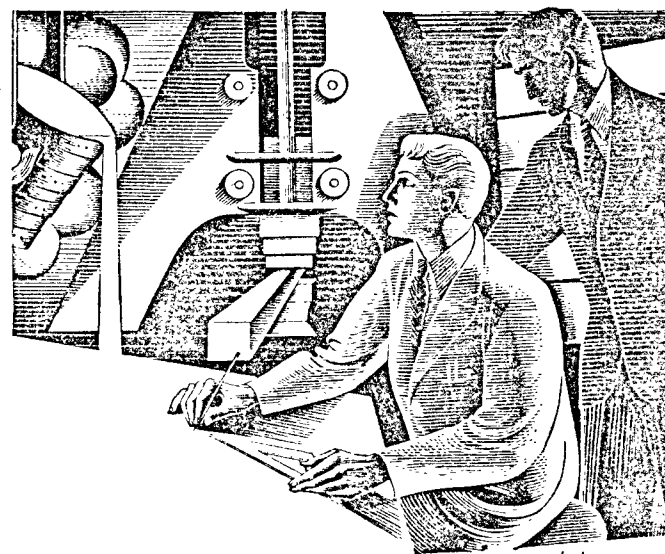
By Patrick Moore.

Eyre and Spottiswoode. 224 pages. 16s.

WHETHER the moon was earth's child, torn from her by centrifugal imbalance, or one of our planets clawed by gravity into earth's orbit, it has never ceased to preoccupy men's minds much more than the sun that warms them. Until early last century men thought life, as we know it, existed on the moon. Its comings and goings, waxings and wanings, and regular eclipses led to the earliest of human calendars and astronomical or temporal calculations. At least one Greek of the fifth century BC knew that the earth must be round to cast a black shadow across the moon; and the tides—of earth as well as of water, of men and women in their everyday business of life, and of birds and fish as well as of certain animals—were early and causally linked to lunar periodicity. Then with improved telescopes came disillusion, and Browning could write of "the cold o' the moon." Verne and Wells made the moon well-nigh a dead world, mortally cold, "shining, like women, with reflected light."

The author of this commendably simple book corrects popular misconceptions at the rate of at least one to a page. Selene does shine with reflected light, but her sunlit daytime sends the surface temperature up beyond our water's boiling-point, while her night temperature plunges (within minutes) to -250°F. or that of liquid air. No life, as we know it, can exist there; but low lichenous life can. There is a poor, thin atmosphere, sufficient high up to shield the moon from meteoric bombardment; but there are mists on the moon, shifting patches (fogs, vegetation or insects?), and even considerable structural alterations of a sudden kind. There are persistent puzzles, which amateurs can help to solve. Much of the best work on moon maps was done by men with no better telescopes than a 4-in. refractor, which can be bought today for the price of a TV set.

Mr Moore, who has given years to his lunar specialty and collaborated with Dr Wilkins, who writes a foreword, in much modern work, writes easily and well; his explanations, accompanied by clear sketches, can be easily understood. If he sometimes makes what seem airy assumptions about the forthcoming ease of rocket-travel to the moon—all change, by the way, on an artificial satellite or two *en route*, in order to profit from the lower "velocity of escape" beyond earth's pull—he fairly and fully describes all the hazards of spatial travel, even down to the inadequacy of those "space-suits" which the comic strips and TV have already made falsely familiar. While lunar observers await Dr Wilkins's forthcoming book with eagerness, Mr Moore's attractive and authoritative volume is not likely to be bettered for the masses not yet moonstruck; and all potential lunatic voyagers should read it right away.



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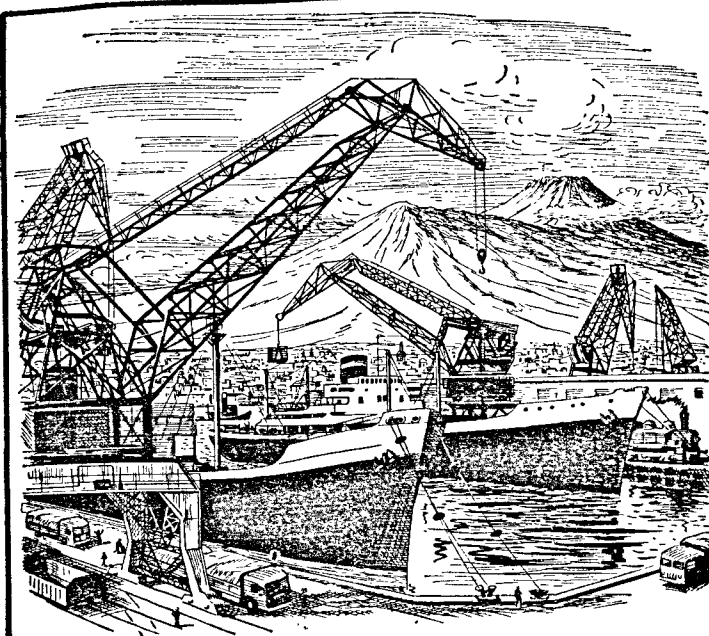
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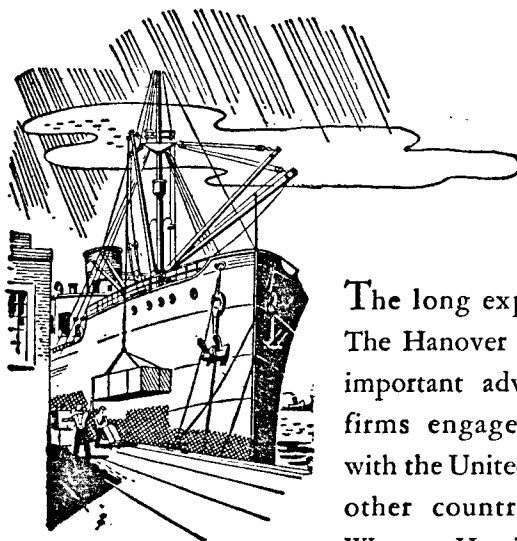
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American Survey

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.

End of the Beginning

Washington, D.C.

THE world of the Republican Administration will probably never again be what it was before the hour of 12.30 p.m. (Central Standard Time) on November 6th when, as Mr Douglass Cater said in *The Reporter*, Mr Brownell, like the Sorcerer's Apprentice, set forces to work which he could not control and the waters began mounting "around him and his boss." An attorney-general can always retire to his office and bury himself in departmental work without even plucking up the courage to hold a press conference and this Mr Brownell did, disappearing from the headlines after his dramatically effective but essentially irrelevant appearance before the Jenner committee.

The President, on the other hand, had to stay in the limelight and face the music, music which was not particularly pleasant to begin with and became progressively more unpleasant as Senator McCarthy began to call the tune. When the ubiquitous Senator took a few hours off from his investigation of the General Electric Company to go to Liederkranz Hall in New York and, through the courtesy of four craven networks, make, without cost to anyone but the broadcasting companies, a \$300,000 attack on the Administration's foreign policy, the period of uneasy truce between him and the White House had to end. The only question was whether there would be a counter-attack or whether the leadership of the party would go by default.

For nearly a week the President stayed silent in Georgia and there was no sign of life from the Administration. The memory of Mr Harold Stassen's fate, when he tried to fight the Senator last March, was no doubt an inhibiting factor to those who remained in Washington, but it was certainly not far short of the eleventh hour when at last the Secretary of State began to hit back. Few people would have cast Mr Dulles to lead the charge of this light brigade and, when he finished reading his statement, there was a long silence while the reporters present suppressed their inclination to break into most unobjective applause. The Secretary, as it later appeared, had taken the precaution of ensuring support from the heavy brigade, and next morning the President took up his position beside the Secretary of State, but with a statement that was fundamentally defensive in tone. The Senator from Wisconsin knows how to treat opponents who merely defend themselves and he immediately issued his outrageous appeal to the public to demand a change in what Mr Dulles had called "the very heart of American foreign policy."

The President left for Bermuda in the knowledge that, by the time he returned, Mr McCarthy might have won a considerable propaganda victory as the telegrams poured

into the White House. Fortunately the flood never became dangerously large nor did it ever show the majority in favour of his rampant nationalism that the Senator must have expected. But it is in the light of this situation that the President's decision to address the United Nations must be judged. Important as his speech may become internationally as solid proof that the Administration has not given up hope of the possibility of peaceful co-existence, its greatest work may be accomplished at home.

The fact that President Eisenhower chose to make his proposals to the General Assembly has, in itself, considerable domestic significance. In McCarthitania the United Nations, an organisation infiltrated with Communists, is held to be un-American and those who approve of it are subversives or, at best, suspect. It is Texas incidentally, not Mr McCarthy's home state, that is the real heart of McCarthitania. The new Democratic Congressman from Wisconsin recently pointed out that Wisconsin gave Senator McCarthy a majority of only 139,000 last year while it gave the President one of 357,000. He also noted that "there was no move on the part of anyone in Wisconsin to buy the Senator a \$6,000 Cadillac for a wedding present, as there was in Texas."

★

By going to the United Nations and by suggesting there that some of the secrecy—and therefore many of the melodramatic potentialities—should be removed from the subject of atomic energy the President was challenging McCarthyism subtly but directly. So on Tuesday of last week he really abandoned the defensive and began the counter-attack. It will take time for that counter-attack to develop because so much ground has been ceded—unnecessarily, in the view of most people—to the enemy already. Some of it will be hard to recover unless the Administration succeeds in developing a series of policies which restore its confidence that it can fight next year's elections on a record of positive achievement rather than on the issue of Communism in past governments.

At the moment nobody but the President seems to have such confidence. Only a few hours before he spoke Senator Knowland who, as majority leader in the Senate, should be the prophet of his programmes, joined Mr McCarthy in asserting that subversion would be an issue "not just in the 1954 elections but in 1956 as well" and in demanding a tougher policy on allied trade with China. And the Chairman of the Republican National Committee, like Mr Knowland, has shown little respect for General Eisenhower's

idea that Communism will not be an issue next year and, also like Mr Knowland, neglected to utter a word on behalf of the Administration when it was attacked by Mr McCarthy.

It is not only in the way that party officials have been allowed to deny most of what the President stands for that ground has been lost, however. Appointments have been made during the last eleven months which cannot be unmade and which cannot help but prove embarrassing. Mr Dulles seemed, as well he might, rather uncomfortable when he was reminded, during the discussion after he had made his fighting statement, that, when the case of Mr John Paton Davies, whose dismissal Senator McCarthy is demanding, comes to him for decision, it will come with the recommendation of Mr Scott McLeod. Mr McLeod was appointed Grand Inquisitor of the State Department as a gesture of appeasement to Senator McCarthy and it has now become politically almost impossible to dismiss him because of his knowledge of the personnel files.

It is unlikely, also, that the broadcasting networks will regain their courage, except when it comes to refusing time on the air to the *Daily Worker*, as long as two of the four Republicans on the seven-man Federal Communications Commission—and the only two Eisenhower appointees—are what is euphemistically called “friends of McCarthy.”

The counter-attack upon Senator McCarthy, therefore, will not be easy. However, by proposing what is now beginning to be called “Point Four A” (the A standing for atomic) the President has managed to shift attention away from the question of subversion by giving the public and Congress a positive policy to discuss. It may well be that the public, if not Congress, is growing tired of hunting for Communists under every desk. A recent Gallup poll showed that only 5 per cent of those questioned thought that “weeding out Communists” was the President’s most important achievement and the Republicans have just lost control of the City Council in Cincinnati after a campaign which they based entirely on the supposed connections of an official with a Marxist study group many years ago. It is worth remembering at this time that Mr Truman won his astonishing victory in 1948 despite the fact that Mr Alger Hiss’s name had been in the headlines for three months before. But that was during the early days of the Marshall plan and the people were in an affirmative mood. They can be led back to such a mood if last week’s speech is developed with imagination.

Threadbare Flag

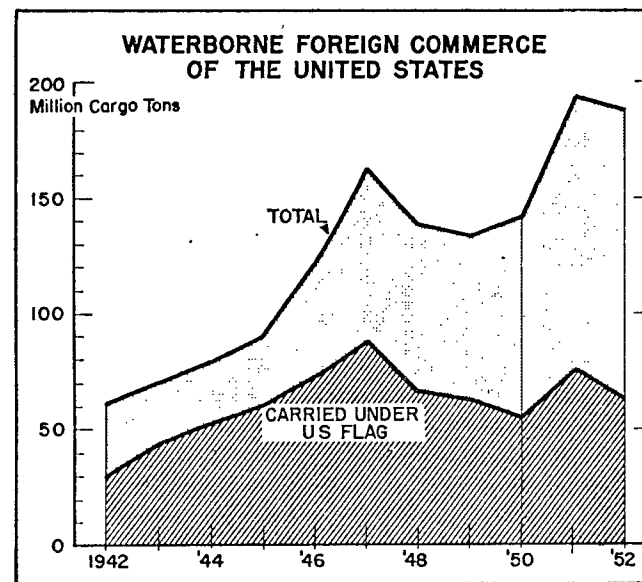
FROM A CORRESPONDENT IN NEW YORK

SO much attention has recently been focused on labour troubles in the port of New York that some people think the way to cure shipping woes is to control waterfront crime. But even if success rewards the much-needed effort to clean up the New York docks, now being made by a bi-state commission, with the co-operation of the American Federation of Labour, the basic problems of the American shipping companies whose vessels use the harbour will not be solved.

It is one of the anomalies of the American economy that shipping and shipbuilding are stunted industries, which cannot be compared, either by volume, size or profitability,

with the great business enterprises of which the country is proud. These industries flourish in wartime, when patriotism sends them young recruits, when government subsidies are lavish and costs are minor problems. The rest of the time the shipping and shipbuilding companies limp along, quarrelling among themselves, complaining of foreign competition yet unable to meet it without help, yearning for government aid yet growling at the accompanying government control.

Shipping is the Cinderella even of the transportation industries; only \$100 million was spent for capital purposes on ships and boats in 1950, compared with \$2,100 million for business motor vehicles and \$200 million for aircraft. At the end of 1946 American vessels were carrying 60 per cent of the country’s foreign waterborne commerce. In 1951



they were carrying 40 per cent; such commerce was, for the United States, at a record height, but by 1952 only 34 per cent of it travelled in ships sailing under the American flag. This decline is the more significant because it comes at a period of active trade and generous shipping subsidies.

The present American merchant marine dates in large part from the last war, when some 5,500 vessels were built at top speed (and cost) for war needs. Of those emergency ships, 2,000 have been laid up in “mothballs.” (They are called the National Reserve Fleet, and 200 of them were actually put to work when the Korean war broke out.) Foreign buyers bought 1,200 of them. A count in October, 1953, published by the American Merchant Marine Institute, a private organisation, shows an ocean-going fleet of 1,255 active vessels (of 1,000 gross tons or more) in private hands, of which 812 were dry cargo and passenger-carrying ships and 443 were tankers. In addition, the government has leased 147 privately owned ships to the Navy’s Military Sea Transport Service, while 36 government-owned ships were chartered to private operators.

A deep sea fleet of 1,438 vessels seems small for a country facing two oceans and with almost 5,000 miles of coastline. In terms of dead weight tonnage the United States ranks next to Great Britain; the proportion is now 15 to 22, but Britain has building or on order so much tonnage that, when it is finished, the proportion will be 16 to 28.

For Americans who equate patriotism with national

supremacy in every field, this is a sorry situation, and it is found not only in trans-ocean trade but also in the coastwise trade which was dealt a heavy blow by the war. The pleasant, leisurely voyages that used to be popular between New York and Boston, New York and Charleston or New Orleans, or Seattle and Los Angeles, can no longer be made except by private yachts. No American passenger ships now move in regular service between American ports, and even the harbour tugs and towboats have been hit by current ills.

★

The only things that are new about this situation are certain of its symptoms; “block obsolescence,” for example, which reflects the fact that the present cargo fleet was mostly built in one short five-year period of feverish construction and will therefore become obsolete all at once. Historians claim that the great tradition of American merchant shipping—the tradition that includes the famous clipper ships on the China run—was fractured by the Civil War of 1861-65 when high insurance rates, caused by heavy losses, sent two-thirds of the North’s merchant marine to shelter under foreign flags. When the war was over, Congress ruled that these “deserting” ships could not return to American registry.

Whether this was, in fact, the blow from which the merchant marine never recovered, or whether it merely represented a violent shock to an era and an industry which were already dying, is a detail for argument. But it is certain that, under present economic conditions, shipping in the United States is an essential industry which cannot make ends meet without government help, and is economically and psychologically out of step with the times. Except during a war period ships are built one by one, and are not suited to the economies of mass production. Building costs are consequently too high and so far they do not yield to customary American methods; American shipyards cannot compete with those in Britain unless they are subsidised. Ship operation runs afoul of high wages and trade union attitudes developed in factory work, where men do their day’s stint and then are free. Not only are crews excessively expensive, but discipline, especially in passenger ships, suffers from the absence of the ingrained sea habits praised by those who prefer British, French, or Dutch ships.

Were it not for defence needs most salt water shipping, at least, would on economic grounds better be left to other nations which can do these things more cheaply. The Democrats had that conclusion pounded into them; the Republicans, having put a man at the head of the Maritime Board who got his training in a midwest clothing business, are thus far paying lip service to the defence argument and cutting down subsidies by hard bargaining wherever they can.

Postwar operations have been governed by the terms of the Merchant Marine Act of 1936, which provided for ship building and ship subsidies, and the Merchant Ship Sale Act of 1946, which set forth how and to whom the surplus of war-built vessels could be sold. Between 1946 and January, 1951, when the latter Act expired, some 1,956 surplus ships had been sold (843 to American operators) at an aggregate price of \$1,725 million. In the three years which have since passed the ship owners have spent a good part of their time in controversy and committee, trying to frame new recommendations to Congress for changes in the 1936 Act.

Meanwhile the American taxpayer is like that classic southern character, B’rer Rabbit: “he sit tight and say nothin’.” That he likes on occasion to travel on American ships is indicated by the fact that the President Lines, which make a specialty of sending cruise ships round the world, are said to be booked for a year and a half in advance. Perhaps one of the advantages of an ageing population will be that the numbers who enjoy such trips will increase until American cruise ships become a large and profitable factor in the shipping world. Already the costs of freight handling have risen to the point where passengers who can walk aboard under their own power are more profitable than certain types of cargo which must be loaded and unloaded by men and machines. But in general Americans seem ready to travel in anything that flies or floats, regardless of what flag flies above it; this should comfort those who are trying to fill the dollar gap, however unsatisfactory it is for American shipowners.

American Notes

Week of Decision

THE President’s three-day conference this week with his Congressional leaders was expected to be of critical importance. His view is that unless the party has a record of positive and progressive achievement to lay before the voters next autumn, it will deserve to lose the mid-term elections. In the hope that the Republicans, who have the barest of majorities in Congress, and some of the deepest differences, can be persuaded to work together toward agreed goals, every chairman of committee has been invited to a preview of the Administration’s programmes, which have been drawn up at recent meetings of the Cabinet and the National Security Council. Even Senator McCarthy will be there. Mr Nixon, the Vice-President, who returned this week from his round-the-world good will and fact-finding mission, will be on hand to exercise his gifts of conciliation if necessary. But it is thought that the President, having squared off at Senator McCarthy, may be prepared to act as party leader himself, now that Senator Taft is gone.

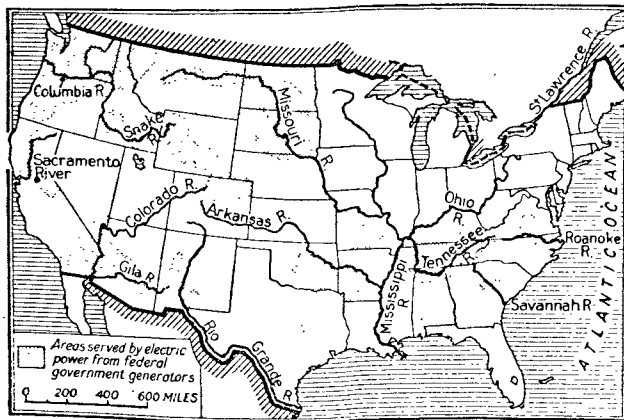
The decision taken this week by the National Security Council on the size of the military budget was the basic one, for it is only in military spending that substantial cuts can be made. According to reports, Mr Wilson, the Secretary of Defence, has gone half-way to meet the Secretary of the Treasury: an effort will be made to reduce military spending by from \$3 billion to \$3.5 billion in the year which begins next July, partly by imposing further manpower cuts on the Army, Navy, and Marines (but not the Air Force) and partly by lower purchases of equipment. But, even so, if the Administration is to have any chance of presenting the voters with a balanced cash budget (in which social security receipts are treated as ordinary revenues) as a first instalment on its promise to end deficit

spending, Congress will have to agree to continue the excise and corporate taxes which expire in April.

Tax policy is only the first of a host of controversial issues on which agreement will be hard to secure. The headaches which were postponed in the last session—a new farm policy and revision of the Taft-Hartley Act—are coming home to roost. The Administration would like to be able to share information on atomic weapons with its allies; to broaden social security coverage and increase benefits; and to continue to block the Bricker Resolution, which would curtail the President's authority in foreign affairs. Tariff policy will take its place in the list when the Randall Commission reports in March. To find a Congressional majority for a programme containing so many contentious items would be difficult enough in any pre-election session, when most Congressmen are concerned to save their own seats. It will be more difficult than ever with the majority party divided and with the Democrats, after the attack on Mr Truman, tempted to limit their co-operation to matters of national security.

Less Power for More Money?

CONGRESS has been taking its first close look at the Administration's policy for hydro-electric power, through the eyes of a Senate subcommittee headed by Mr Langer, an unconventional Republican from North Dakota. The immediate controversy has arisen not over the particular aspect of the policy which has attracted most attention—whether or not the federal government is in future to develop dam sites—but over the sale of the electricity to be generated from dams already under construction in the Missouri Basin. This new supply of hydro-electric power will begin to be available in about a year for consumers in ten midwest and mountain states, and Senator Langer has been hearing the



complaints of 350 rural electricity co-operatives, serving 750,000 members, about the terms on which the power is being offered to them.

The law requires that when power generated from government-owned facilities is being sold, preference must be given to supplying public bodies and co-operatives, before private utility companies may buy. The contracts for the new power force the co-operatives to estimate their needs for the next twenty years by January 1st and to undertake to buy that amount of electricity. The purpose of this is to

enable private companies to plan ahead; under the previous arrangement they could not count on a firm supply of federal power. Quite apart from finding it difficult to prepare such long-term estimates in the 90 days that were allowed, the co-operatives object that under these new "marketing criteria" they will almost certainly find themselves short of cheap federal power, and unable to expand unless they supplement their supply by buying from private companies, or else committed to paying for more federal power than they need. They will thus have either to ration their members, or charge them more for the electricity on which farming operations are increasingly dependent; in addition the basic price of federally-generated electricity is also to go up before long.

The spokesmen for the Department of the Interior reply that the marketing criteria are not so inflexible as the contracts make them seem and that a pattern is not necessarily being set for similar contracts in all federal marketing areas. The new contracts will probably be challenged in the courts, as contravening the preference provision in the law, if the department continues in its refusal to modify them. Meanwhile Democrats are arguing that the contracts prove that the Republican power policy, which is supposed to foster co-operation between federal, local and private agencies, will in fact lead to a private power monopoly. Even such faithful admirers of President Eisenhower as the *Denver Post* are suspicious of the new contracts. The Republicans may still lose vital farm votes in the midwest next November even if Congress manages to work out an agricultural price policy that satisfies the farmers.

Striking Tests

THREATS of another dock strike on Christmas Eve and of a strike on the public transport system on New Year's day are still hanging over the New Yorkers who have only just got their newspapers back. They have had more than their fair share of work stoppages lately, for there was both a dock strike and a hold-up in milk supplies in October. But at least the city does not seem to be suffering from lack of milk again, even though the paper containers in which most of its milk is packaged come from tin can manufacturers, and about half the country's can-making capacity has been shut by a strike since the beginning of this month. Luckily neither bottles nor bottling machines are yet entirely obsolete, and they have been used to fill the gap in New York. But some producers of concentrated orange juice have already been forced, by scarcity of tins, to close down at the height of the Florida citrus season. The strike, if it continues, will have serious consequences for growers of some other perishable crops, although stocks of tinned food are so high that it will be a long time before consumers are affected.

The 33,000 strikers, who are demanding higher wages and other changes in their contracts, are members of the steelworkers' union. Their hopes of success will not be encouraged by the settlement which another group, also belonging to the Congress of Industrial Organisations, the automobile and aircraft workers, has just reached with the North American Aviation company. Production of jet and other military aircraft had been held up for seven weeks

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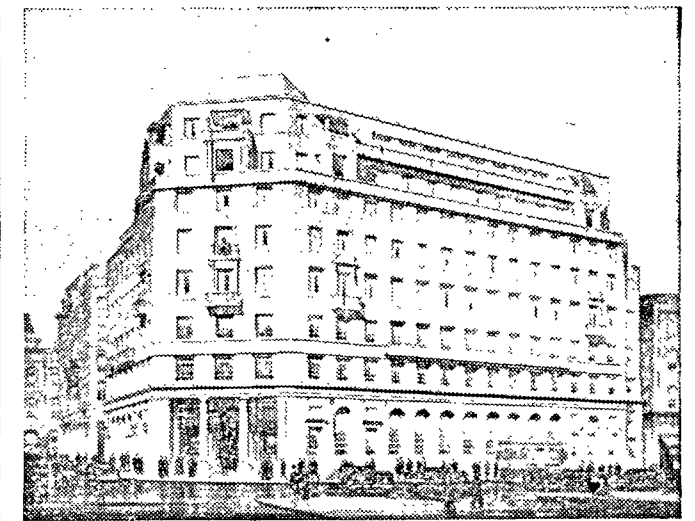
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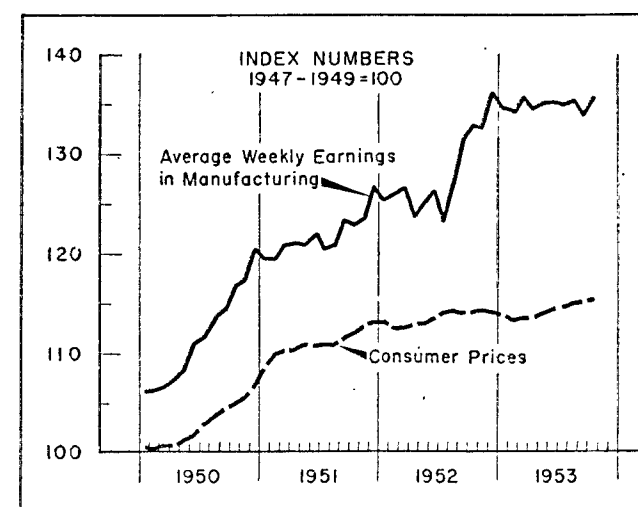
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at the company's plants in California and Ohio, but in the end the union accepted the company's offer, a wage increase of only five cents an hour. The strike was part of an organised drive to set a pattern for the industry, in conjunction with the American Federation of Labour's machinists union. But the AFL members came to terms with the managements of the plants where they work without striking; this breakdown of local co-operation has not set a good example of the labour unity for which both organisations are striving at the national level.

To the disappointment of the aircraft workers, the Administration did not intervene in this strike, even though the defence programme was suffering from it. But if, as is possible, there is a railway stoppage before long, President Eisenhower, faced with a nationwide strike for the first time, can hardly refrain from intervening. It looks, however, at the moment as if strikes might be avoided in the contract negotiations with other big unions which are due next year. For if, as has been suggested, the recent series of comparatively small strikes have been designed by union leaders to test the prospects for successful strikes on larger scales next year, then it is the employers who have been encouraged. They have had to concede little or nothing and, at a time when the business outlook is uncertain, the loss of production resulting from a strike can be faced fairly calmly.

Mr Reuther's Remedy

THE trade unions are, however, in a less strong position and are far from calm about the jobs their members are losing. Unemployment rose unseasonably in November, although it is still extraordinarily low; factory employment continued its four-month decline and there are more reports of lay-offs and of less overtime working. Against this back-



ground the automobile workers called a special conference in Washington on full employment and gave their president, Mr Reuther, who is also head of the Congress of Industrial Organisations, a platform on which to present the CIO's cure for economic depression. Mr Reuther's remedy is to keep wage-earners' pockets full: salaries and wages together provide over two-thirds of personal income and, with

government spending falling, personal spending must go up if prosperity is to be maintained. This is an argument for increased wages, to take the place of the rising cost of living, on which wage claims have so long been based, but which is obviously no longer valid. The consumer price index has already levelled off, and is probably now turning down; even if the fall in overtime reduces earnings more than it has so far done, they have a long way to go before they drop below the cost of living.

Mr Reuther's remedy applies not only to wage rates but to minimum wages and unemployment benefits and here it fell, unexpectedly, on sympathetic ears in the Administration. Mr Mitchell, the new Secretary of Labour, told the conference that the President, recognising the importance of enabling workers, even when unemployed, to go on spending, would recommend to Congress that it increase the amount and broaden the coverage of both unemployment compensation and minimum wages. The recommendations are not likely to go as far as Mr Reuther wants, at least where increases are concerned. The Administration will probably ask for a rise of only 15 cents in the present minimum wage of 75 cents an hour, while Mr Reuther would like 50 cents; nor will respect for states' rights allow the President to do more than urge the many states whose systems are unsatisfactory to increase the amount and the duration of the unemployment benefits they pay. Previous experience holds out little hope that mere urging will be effective, or that Congress will be enthusiastic about a higher minimum wage or about bringing more workers either under these regulations or into the unemployment insurance scheme.

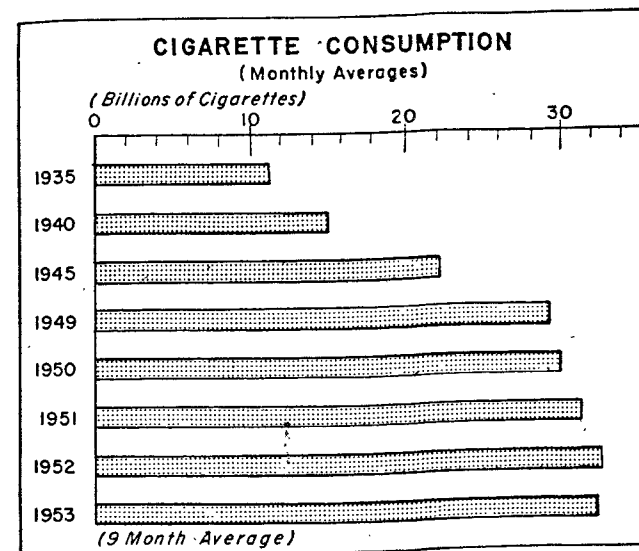
Skeleton in the Smokes

THE big tobacco companies are just beginning to admit publicly that there may be a skeleton in their cupboard: the link between cigarette smoking and cancer of the lung which research workers in the field are convinced exists, not simply because deaths from lung cancer and cigarette consumption have both risen sharply, but because of statistical studies of cancer victims and laboratory proof that cigarette tars can produce cancers in mice.

The tobacco spokesmen have broken their silence to insist that the case is not proven and to denounce "loose talk," but falling cigarette sales suggest that more will have to be done to restore the smoker's confidence that he is not shortening his life with every puff. Consumption fell each month from July to September and the year's sales are expected to be 2 per cent lower than those in 1952. This is the first decline in over twenty years; even in the 1949 recession consumption, though it did not rise the usual 4 to 6 per cent, held steady—a fact which makes the manufacturers' contention, that high living costs and the fall in overtime working are responsible for the present drop, look like wishful thinking. The capture of nearly a quarter of the market by the longer "king-size" cigarettes may account for some of the fall in the number smoked. But neither of these factors explains why tobacco shares, which in the past have led a charmed and almost depression-proof life, should have fallen while other shares have been rising.

The tobacco companies, which in the past have found

the health motive in advertising the most profitable and the surest way of increasing consumption, so that now ten cigarettes a day are smoked for every American over fifteen, are in danger of being hoist on their own petard. The sales of filter-tip cigarettes, which can claim to give some protection (though hardly enough to warrant the slogan



“just what the doctor ordered”) have been rising so rapidly that most companies feel they must have a filtered cigarette among their brands; the Philip Morris company, for example, has just arranged a merger with Benson and Hedges, owners of the popular “Parliament” filtered cigarette. But in the long run the tobacco companies may have cause to regret their slowness in responding to the doctors’ challenge that it is their duty to provide the money for research, either to acquit the cigarette or, if it is guilty, to isolate the cancer-producing substance and discover if there is a practical way of removing it.

Tax Collector’s Net

CORRUPTION at the Bureau of Internal Revenue was one of the disgraces of the Truman Administration. In the three years since Senator Williams launched his campaign for honest federal tax collection, more than 300 employees of the bureau have been dismissed or allowed to resign. With the clean-up two big fish have been caught who earlier might have been allowed to get away: Mr Arthur Samish, the liquor lobbyist who was said to have the California Legislature in his pocket and who is going to jail for three years for failing to declare \$110,000 he received from an advertising firm for securing a distillery account, and Mr Vincent Hallinan, former presidential candidate of the Independent Progressive party, who has been sent to jail for eighteen months and fined \$50,000 for evasion.

What remains astonishing is the wide mesh of the net with which tax collectors work. When the new commissioner, Mr Andrews, authorised revenue agents to make door-to-door calls in New England, politely inquiring whether householders had filed returns, he hit a jack-pot;

one in eight had not, and \$24 in additional revenue was received for every dollar spent. Some individuals had not filed returns for years, although they enjoyed large incomes. In Denver tax agents were reduced to checking their returns against local telephone directories. Aside from those whose taxes are withheld under pay-as-you-go, tax payment is largely “voluntary” and Congressional parsimony has made it hard for the tax collector to make sure that everyone who should volunteer does so.

Door-to-door collection is to become a permanent tax tool, although some Congressmen have grumbled at the “snoopers.” Politicians, indeed, have proved rather ungrateful for the reorganisation and reform of the service, perhaps because the elimination of political influence and the decentralisation of many tax functions diminishes their ability to do favours for constituents. Under the Republicans, a sharper eye is being kept on large expense accounts and deductions for yachts and similar business costs; and even the small man’s benefits in kind—his free meals, or lodging, or insurance—may, under a recent ruling, be more often taxable.

The House Ways and Means subcommittee, which has been looking into tax enforcement, considers that there is still room for much improvement. It notes that taxpayers are not required to furnish enough details; thus Mr Henry Grunwald, a lobbyist, listed in his 1950 returns \$1,580 from a named corporation, and \$117,000 from “fees.” Taxpayers ought to have to substantiate their expenses; and should be reminded that they are required by law to report payments of \$600 or over to maids, doctors, lawyers, and so on. But the new regime is not all austerity. Tax collectors are instructed not to haggle or nag; there are fewer court cases and they are settled more rapidly. Plans exist for relieving 35 million taxpayers, out of 55 million, of the obligation of filing a return at all—though not of paying their tax. There may be justification for the Republican renaming of the bureau as the Internal Revenue Service.

SHORTER NOTES

A large scale test of protective injections against infantile paralysis will be made early next year on between 500,000 and 1 million children in the next to lowest class in public and private schools in southern states. The project, which will cost \$7½ million, is financed by the National Foundation for Infantile Paralysis. The children, after written agreement from their parents, will be given three injections of a vaccine developed by Dr Jonas Salk from dead polio virus; subsequent studies will determine the value of this immunity and the length of time it provides protection.

★

The announcement that the Baltimore Orioles will return next year is news for the baseball fan, not the bird watcher; for the first time since 1903, Baltimore has a major league home team. A syndicate of business men has bought the franchise of the St Louis Browns, who have aroused little enthusiasm in Missouri in recent years. It is hoped that the transfer will invigorate both the team’s standing and its earnings as markedly as the removal to Milwaukee of the Boston Braves has done.

The World Overseas

Retrospect of a Muted Assembly

FROM OUR UNITED NATIONS CORRESPONDENT

A DAY after the dramatic appearance of Mr Eisenhower at the United Nations, its Eighth Assembly adjourned. The final ceremony came only two days behind schedule, and almost in a whisper. Laudatory speeches and gallant compliments to the Assembly’s first chairwoman sounded muffled in a chamber still echoing to the terrible realities and forthright hopes which the President had voiced there. Even the weary fact that the Korean negotiations, hanging over the “glass house” like almost visible smog during the entire session, had come to the verge of collapse, so that what should be a final ending could be nothing but a recess, seemed somehow muted by those echoes.

This Assembly was characterised by lowered tensions, quickened work pace, the end of black-or-white choices and the emergence of shifting greys. Delegates holding post mortems in the lounge have been heard to describe it as a “marking time” session, but while the tragic nonsense of Panmunjom did continually cloud it, many things could be done here meanwhile, and were done. The sense of marking time mirrored Korea, not so much the sessions on New York’s East River.

Nevertheless, it is largely true that the most important things were those that did not happen—the outbreaks which did not occur, the crises which did not boil up into angry and prolonged debate. There was plenty of anger on tap; the Russians are supplied with a native brand which they turn on by automatic control, and America’s Mr Lodge has a hard-edged delivery which in its way is almost as tiresome. But the familiar sore spots—Morocco and Tunisia, the Burmese plaint, the antiphonal Korean charges of American germ warfare and Chinese atrocity techniques—these things stirred excitement only to be checked without igniting it.

The Americans were expected to rise to a high scream in the matter of paying awards allowed by the Administrative Tribunal to discharged staff members. It was assumed that Mr Lodge would himself stalk in to state the American position in terms akin to “millions for defence but not one cent for tribute.” Instead, the matter was resolved with appropriate noises from the regular American representative in the Financial Committee, while a British-Canadian-Colombian resolution referred the matter of the Tribunal’s competence to the International Court. Only the cynics murmured that, had this item not coincided with the New York newspaper strike, matters might have appeared far uglier.

Who should be credited with the relatively quiet atmosphere of this Assembly? The presence on the rostrum of an Indian lady with a modulated voice and the demeanour of a greying schoolmistress; the lessened scale of tensions allowed by the Russians; a growing awareness among experienced delegates that jamming through a resolution may neither win friends nor influence events; the improved position of Britain; and the shifting alignments among smaller nations—all these factors played their part. So did individual changes in the delegations, and the subtle but sure influence of the new Secretary-General, Mr Hammarskjöld.

There are reasons to believe that the Americans, who were in part instrumental in naming Mrs Pandit as president of the Assembly, expected India to be grateful and co-operative. If so, they forgot that the Indians have become too skilful tacticians to show whatever gratitude they may have felt over the elevation of their Prime Minister’s sister. Mrs Pandit herself made it plain from the start that she would have no favourites. The day she called down her former colleague, Mr Krishna Menon, is starred in delegates’ memories along with the moment when she ruled Mr Vyshinsky out of order and cut him off from translation with no more effort than the pressure of a finger on a button.

Indians and Intricacies

But if the chairwoman’s influence was cast on the side of peace and fair rulings in plenary session, other Indian delegates did not hesitate to assert themselves, and not only in the committee assigned to deal with the two charges against South Africa (the treatment of Indians, and *apartheid*) which were India’s immediate concern. In the Fourth (trusteeship) Committee, too, the Indian delegate was both crafty and persistent in championing African complaints against the colonial powers. Over strong British protest Mrs Lakshmi Menon tried very hard to persuade the committee that it should review the affairs of the new Central African Federation. Rumours persist that, if London had not convinced Delhi that this was a matter to be settled within the Commonwealth rather than to be aired in the United Nations, she might have carried her attempt through.

Mrs Menon’s former experience as a member of the Uno secretariat has given her skill in the intricacies of procedure

and a delight in scoring by the book. In the beginning these worked well, and not only because she was blessed with a weak chairman, but toward the end her insistence on scoring technical victories turned against her. Even a wrathful speech from a British delegate did her less good than might be expected in a committee so given to baiting colonial powers.

Perhaps in part because Indian leadership was so assertive, the Asian-Latin combinations which seemed to be approaching solidity in earlier Assemblies were weakened in this one. The Latin Americans prefer to develop their own leaders. At various times the Mexicans, the Argentines and the Guatemalans made a bid for the title, but only with momentary success. The hint of Communist influence which hangs over Guatemala and the disturbing effect of the Puerto Rican affair both impaired Latin solidarity. That Puerto Rico and the United States should appear arm in arm to claim that the island was now self-governing and therefore that information about it need no longer be sent to the Fourth Committee was too much for the anti-colonial enthusiasts.

From a long-term point of view, the housekeeping items proposed by the Secretary-General and accepted with minor changes form one of the solid achievements of this session. Mr Hammarskjöld's troubles with personnel are not yet over, but at least he now has in hand the means he asked for dealing with them. Some necessary groundwork has also been laid for the review of the Charter two years hence, and points of view have begun to emerge. Even the financial balkiness of the United States has proved less obdurate than many people feared. Congress may revive those fears, just as Chinese hysteria may tear jagged holes in whatever hopes of peace have been wrought in these twelve weeks. But for the moment, one has the sense, illusion though it may be, that the United Nations has passed through a critical stage and may live to grow up.

Mr Jagan in India

MR CHEDDI JAGAN has found India tougher going than he expected. His extremism has been masked by assumed moderation and genuine natural charm, but most Indians whom he has met have suspected so strongly that he is a Communist that they have instinctively taken what he says with a pinch of salt. His recent arrival in India caused no more than a faint ripple of excitement; no one immediately sought to make political capital out of his being an Indian; and the press, the political pundits and even Mr Nehru sat stolidly on the fence when he first approached them. He has now converted a number of the leading newspapers; the *Hindu* started the ball rolling with a favourable editorial at the end of last month. It speaks much, however, for the distance Mr Nehru has travelled since he first came to power, that he has declined to raise the question of British Guiana at the United Nations; all he says is that if someone else lodges a protest he will have to back it.

Most Indians have felt that the situation in British Guiana arises from an internal political row rather than a dispute based on the colour of men's skins; it is not therefore a case of colonialism versus nationalism and only concerns

Indians indirectly. Those who regard Mr Jagan as a Communist are anxious to have India keep out, but they deplore the Colonial Office's handling of the situation and resent being put in an awkward position themselves. Those Indians who do not regard Mr Jagan as a Communist are equally indignant about their own embarrassment with regard to Britain. All, particularly those whose friendship with the British is strongest, are very worried at what is considered a "retrograde step" in terms of India's own former struggle for independence—namely the suspension of the Guiana constitution. Even the most anti-Jagan of Indians insists that the British ought either to have arrested Mr Jagan and his associates, made specific charges against them before the courts, and held another election, or suspended the cabinet and then held another election; but they should not have suspended the constitution.

While Indian opinion is still broadly unsympathetic to Mr Jagan, there is a growing feeling that if the stalemate in Guiana persists Mr Nehru will feel bound to take the matter up informally within the Commonwealth. At present, Indians slightly despise Mr Jagan for not staying to fight his battle in Guiana itself, particularly as he has left his wife there to face the music; Gandhi, they say, fought his civil disobedience campaign in India, not in America or other ostensibly sympathetic countries. But Indian feeling may well change if—as seems probable, in view of what Mr Lyttelton has already said—no one is brought to trial, and if no new cabinet is formed representing local opinion in Guiana.

Canadian Tories—II

FROM OUR OTTAWA CORRESPONDENT

THE Canadian Conservative party—renamed by its last leader but one "Progressive Conservative"—has had an unbroken succession of electoral failures since 1930. Its most recent failure in last August's elections has left it with only 50 members in a Parliament of 265 members; yet it is still the official opposition and the only apparent alternative government. It is paradoxical that Canadians, having watched the Republicans in the United States emerge from the wilderness, are inclined to be appalled at the results there; all the same many of them still deplore the fact that Canada's equivalent, the Conservative party, cannot get itself out of the wilderness.

In a previous article it was suggested that personalities play a large part in Canadian federal politics. An equally important fact of Canadian politics—and this has some parallel in the United States—is that the reconciliation of regional differences is so difficult that, in any given set of circumstances, almost any party in power would be inclined to find a similar answer. Another way of putting this is to say that governing Canada is like doing a tightrope act. In a famous example from recent years, the Western politicians demanded that prairie wheat farmers should be compensated because the Anglo-Canadian wheat agreement gave them less return than they expected. The Liberal Cabinet had to calculate whether taxpayers—and particularly the major taxpayers in the major centres of population in the east—would be more annoyed at having to pay \$65 million in extra taxes to compensate the farmers, or whether

Western farmers would be more annoyed if they did not get the bonus.

This was typical of the sort of calculation which any Canadian government has to make about divergent regional interests. If the government is to be pitied for having to reconcile so many differences, what of the Opposition? It is not often realised in this country that any opposition party which seeks to be national in scope—and if it does not, it does not offer an alternative government—faces exactly the same stresses between regional interests as the government of the day. The one great advantage of the opposition is that it does not have the responsibility for reconciling them. But it does have the equally complicated task of attacking the government's reconciliation without offending any interest more than the government has done.

To put it more simply, if the Government is on the tightrope the business of the opposition is to tip it off. But shall it be pushed to the right or the left? To take a current example: the government has refused to subsidise a Canadian merchant marine. The opposition could win some easy support in Vancouver and Halifax and, maybe, Montreal, by clamouring for a subsidy. That would be pushing the government off the rope on one side. But the government has given vague hints that it might sometime, on certain conditions, consider assistance to certain shipping routes. The opposition could no doubt win some kudos with certain consumer groups and among liberals opposed to subsidies of all kinds by saying that it would never in any circumstances consider a subsidised merchant fleet. That would be tipping the other way. Obviously its wise course is to do neither of these things, but to take advantage of its freedom from responsibility and merely point out the disadvantages of the middle road which the government has attempted. But then it can always be asked "What would you do, chum?" And nine times out of ten the answer is that the Government has chosen the only possible compromise.

A Better Tightrope Walker?

This is the essential background to the dilemma of the Canadian Conservative party. Its main error has, perhaps, been to think that by its action and its speeches it could convert the people from Liberalism to Conservatism. It has thought in terms of offering them something positive, of offering them almost anything—except an alternative government. It has consequently involved itself in contradictions too numerous to count, but not too numerous to be remembered. But it has not established in anybody's mind the idea that it commands a wealth of political genius, that it is a band of sincere and experienced men even more skilful than the Liberals at finding acceptable compromises. Can the Conservative party cease to present the appearance of beating around wildly for means to attack the government? Can it, instead, convey the impression that it is the government that is beating around wildly to find acceptable compromises—as it very often is—and that the Conservatives would bring a new spirit which would reconcile differences that baffle the Liberals? To get the tightrope walker off his tightrope and calmly take his place is a feat which requires either a clumsy tightrope walker or an element of the magical in his substitute. It is here that the element of personality plays so large a part in Canadian politics.

Since the war, it must be confessed, the personality of the

political leaders has operated in favour of the Liberals. They have had the great advantage of Mr St. Laurent's leadership, and such highly attractive figures as Mr Pearson (Minister of External Affairs) and Mr Abbott (Minister of Finance). But they have also had some very weak brethren in their team. The Conservatives have had the disadvantage of changing leaders too often. And when they elected their present leader, Mr Drew, they were at least as responsible as he was for presenting him to the public as an aggressive fighter rather than as a conciliator. This was a mistake, since most Canadian voters both in Quebec and outside know that a Prime Minister must be a conciliator.

The Long-Term Goal

The Conservatives have a chance of taking the Liberals' place on the tightrope if the present government makes a serious slip. It has made several quite blatant ones even in the near past, but has always managed to recover. It is bound to make more. Moreover, it must also in the course of nature lose its great vote-getter within a few more years. Mr St. Laurent is now nearing 72. The two most obvious successors are Mr Pearson and Mr Abbott; and at the present it looks as though neither may stay the course. If both have given up politics before Mr St. Laurent retires, the Liberals' choice will not be so easy.

The Conservatives' future, in this case, depends on their ability to persuade the voters that they are reliable and conciliatory and that they have a better leader than the Liberals' successor to Mr St. Laurent. On the face of it there seems no reason why they should not succeed. But they will not succeed if they persist in the ludicrous attempt to score short-term and insignificant points instead of setting their eyes on the long-term goal. It is for the C.C.F. and the other fringe parties to offer baits to particular groups of voters. The Conservatives, as a party with a claim to nationwide support, can only win by showing themselves as broad in their sympathies and their comprehension as their opponents. They are in the wilderness because they have not convinced enough people that they would make a good government. And this is largely because they have been looking only for transitory and trivial successes. They will be unwise to change their leader unless they can discover an unchallengeable vote-getter; and they must remember that the Canadian voters are looking for a statesman, able to reconcile all parts of the nation, not for a politician who can score quick debating points or make large promises.

(Concluded)

Dilemmas in Uganda

BY A CORRESPONDENT RECENTLY IN UGANDA

RECENT events in Uganda must be seen against the double dilemma of British policy in the Protectorate: can economic and political development proceed together, and can a Uganda national spirit be built by kindness? The last Governor, Sir John Hall, was noted for what he did for economic development and the present one, Sir Andrew Cohen, is generally believed to have been sent out by the Labour Government to build the political structure of the country. Yet economic development must not be lost sight of; Sir Andrew has tried to give Africans a share

his predecessor's development plans. There are Africans in the directorate of the Uganda Development Corporation, and African local governments hold shares in its subsidiary projects and in the large agricultural developments of Busoga and Bunyoro. Land, it was announced in 1950, could not be taken for any development without consultation with the African local governments.

These bodies are at the centre of Uganda's problem of political development. They range from Buganda's ancient *lukiko* and three traditional ministers under the Kabaka, to the artificial local governments which are being developed on English local government lines. The districts of Uganda are based for administrative convenience on tribal divisions, and this has had the effect of strengthening tribal consciousness. Mr C. A. G. Wallis in his report, published last February, on "African Local Government in the Protectorate of Uganda" commented on the general desire of the peoples of Uganda to drop the word "local" from the titles of their administrative bodies. He found that their aim was "Home Rule" for each tribe. The most they could consider was "a federation of native states, each with its own ruler and ministers." It is into this pattern



at the Kabaka's demand for separation and self-government for Buganda must be fitted.

There is also the young and growing Uganda National Congress which aims at a self-governing, united Uganda. While it is difficult to assess the immediate strength of this body, it cannot be dismissed, as many in the administration do, as "only a Buganda organisation." Certainly the abaka's people were the first to become politically conscious, as the troubles of 1945 and 1949 showed. As yet, all the non-official and non-mission vernacular newspapers appear in their language, although there is one printed in Busoga which circulates in that district. The importance of the Congress lies in the fact that it has begun to spread beyond the confines of Buganda. Since the disturbances of 1949 it has had agents working in the easternmost district, Toro, where they have been able to lay on suspicions about the Kilembe copper mines and on the setting aside of the Queen Elizabeth National Park as a

game reserve; many Toro tribesmen say that this is part of the tribe's ancient grazing land. This year agents of the Congress have influenced the non-Bantu peoples to the north of Lake Kyoga. There has been trouble in Gulu, the capital of the Northern Province, and political agitation has developed among the Lango. But although the administration regards the Uganda National Congress with suspicion, the fact remains that it is the only body at present in the field that can build up an all-Uganda national spirit.

The Government may proclaim, as Sir John Hall did in 1947, that

It is a matter of prime importance to devise some unifying process which over a period of years will tend to produce a sense of common interest, common purpose—and later, it is hoped, of common nationality—and at the same time to encourage and not impede the growth and development of indigenous political institutions.

Here lies the Government's present dilemma. The refusal of the Buganda *Lukiko* and of the Busoga local government to nominate members to the Legislative Council illustrates the essentially conservative character of the various African local governments. But the men running these bodies are for the most part old in government service and are likely to be undermined by the growth of the political movement.

Worried Business Men

This, as usual in Africa, is feeding on the land grievance, which at present takes the form of a fear of land being lost to new industries. Apart from Kilembe, the industrial and mineral area is in the eastern province. Its power is to come from the Jinja dam—to be opened by the Queen next April—at the exit of the Nile from Lake Victoria. Light industries are to be started nearby, and current is to be taken to the cement factory and mineral complex of Tororo, if it is decided that the latter is a paying proposition; (one foreign firm however, has already withdrawn). European business in Uganda seems to be worried by Sir Andrew Cohen's political developments; it reacted unfavourably last August to the Government's proposals for cotton ginning and to the increased membership of the Legislative Council which is due to take effect from January 1, 1954. These views were summed up in the *East African Standard* in September, at the time of Sir Andrew Cohen's visit to London for consultations; the paper suggested that he was being recalled to be told to slow up political development lest foreign capital be scared from Uganda. Such an allegation had an added political twist in that Sir Andrew is regarded by Africans as "their Governor."

Economic development has been pushed because the Government is afraid that the economy is too dependent on coffee and cotton. The strength of Uganda's development hitherto has been in its encouragement of peasant agriculture; it has been a peaceful country because it has not been faced with revolutionary social change. Now industrial development is planned where there is already a labour shortage; many agricultural employers, the mines in Ankole and Kigezi and some African local governments have been unable to obtain the labour they need. Some observers believe that the Government has not made sufficient preparations for the social change that will result from industrial development. Despite the activities of Sir Andrew Cohen, there is still much of the sleepy complacency that is almost traditional in the Uganda civil service.

Economic Sermon for France

THE approach of Christmas is a busy time for French finance ministers, who must try to steer their budget through parliament before the end of the year. It has also become the period when they are lectured by international bodies about the sorry state of the French economy. These annual sermons do not spring from any Francophobia among West European analysts. It is just that when the reports are drawn up at the end of the year it is found with monotonous regularity that France has forgotten to do its home work. Indeed the survey of the French economy now published by the Organisation for European Economic Co-operation (OEEC), begins by recalling last year's diagnosis and concludes that in broad lines it still applies to the present situation. Despite a greater internal price stability and an improvement in the terms of trade, the present system must still be propped up by substantial American aid. France still has a big trade gap and an important budgetary deficit. Above all, its prices are out of line with those prevailing on the world markets.

As this report was drawn up by France's fellow members of OEEC, though with French participation, it is only natural that stress has been laid on the disparity between French and foreign prices which is preserved by a complicated system of tariffs, quotas and export subsidies. France is the chief laggard in the EPU drive for the liberalisation of European trade. True, up to the middle of this year the quantitative restrictions imposed by France had an appreciable effect only on the volume of imports from Italy. The cut in the trade deficit from \$858 million in the first half of 1952 to \$361 million in the corresponding period of the current year has been largely due to an improvement in the terms of trade, and even so France has been unable to cover its growing deficit with the sterling area through a surplus with other OEEC countries. Experts fear, however, that French persistence with the restrictionist policy may bring retaliation and lead to the collapse of the whole liberalisation drive.

Deadweight of Past Errors

In the months since January, 1952, the price position has slightly improved. The French index of wholesale prices fell by 9 per cent, slightly more than in other member countries, though this reduction was largely the result of the fall in world prices of raw materials. The disparity of prices varies from commodity to commodity. Thus it turned out that the French steel prices, though much higher than the British, were competitive with those prevailing in the other markets of the coal and steel community. The prices of chemicals, on the other hand, and even more of textiles and engineering goods are out of touch with world markets. But the report goes further and sees in the protective wall an important cause of the internal distortions of the French economy.

These distortions are to a great extent the result of the deadweight of past errors. It is recalled that since the first world war long periods of economic stagnation have alternated with shorter spells of inflationary expansion. With the exception of four years—1926 to 1930—inflation has been the automatic companion of economic growth. The Korean boom led to a bigger rise in prices in France

than in the other member countries, and this year's price stability has been accompanied by a 2 per cent fall in the gross national product despite a good harvest.

*FRENCH ECONOMIC DEVELOPMENT
(1923=100)

	Gross National Product	Industrial Production	Construction
1923	100	88	58
1930	125	140	137
1938	106	104	52
1952	134	143	71

* In view of the difficulty of statistical comparisons over long periods, figures should be taken as approximate.

The list of the vagaries of the French economy is not elaborated at length once again. The backwardness of agriculture; the disproportionate cost of distribution; the deplorable state of housing; the iniquity and inefficiency of the fiscal system; the unwillingness of French savers to invest; the existence of sanctioned as well as fraudulent privileges; all these have become commonplaces to the observer of the French scene. The long-term remedies proposed do not differ greatly from the policy followed by the present government. The survey approves fiscal measures for the encouragement of investment and advocates the provision of more medium-term credit. Since the rate of investment should not slacken, it favours credit selection and the pruning of some State expenditure. It sees a chance of cutting building costs by a housing programme based on large-scale production.

A Drastic Cure

In one respect the OEEC doctors have their own view on the cure which should be prescribed for Europe's patient. They seem to see no chance of salvation unless the cure is accompanied by a strong breath of fresh air through the lifting of the protective curtain. Only a strong draught from outside could, in their opinion, get rid of the parasites on the French body economic and the patient is not too delicate to be submitted to such treatment. France has been granted great and growing dollar aid, but this is being used to patch up its balance of payments rather than to support economic expansion. Yet "little is needed to shift France from dangerous economic stagnation to the path of economic recovery."

Implicit in the whole report is the argument that France should devalue or otherwise accept a forced adjustment of its prices through a freer entrance of foreign goods. But the plea for devaluation is nowhere specific. The elimination of the disparity between French and foreign prices is the ever-recurring refrain, but "it is up to the French Government to determine the proper methods to get that result." This caution should finally dispel rumours that an international mission is contemplated to prescribe cures for the French economy. The Germans recall half-proudly, half-bitterly, that when they faced a crisis in 1951 they were not let off with an informal lecture. The EPU management board then appointed a special commission to make recommendations which the Germans put into practice. The Germans in private accuse OEEC of leniency towards the French. Yet they must know that, while France is now taking the end-of-term sermon well in its stride, nothing could be calculated to get worse results than to send to France a supervisory commission including German tutors.

Migration from Israel

FROM A CORRESPONDENT IN TEL-AVIV

BETWEEN May 15, 1948, the day of the establishment of the Jewish state, and July, 1953, a total of 717,923 people immigrated into Israel. This doubling of the population, one of the main goals in Israeli policy, was achieved in five years and mass immigration has now come to a standstill. But Israel, while struggling hard to solve the problems created by so many newcomers now finds itself faced with a new phenomenon, emigration from the country. This topic has been taboo for a long time. It was taken for granted that for the Jewish wanderer to set foot on Israeli soil meant journey's end once and for all. The immigration during the first four years of the new state has been of so dramatic a quality—bearded Yemenites kissing the earth of the Holy Land when stepping from the aircraft which brought them out of the desert—the exhilaration over the unbroken stream of immigrants has been so great, that nobody gave a thought to the possibility that some would not want to stay.

Conspiracy of Silence Broken

These thoughts were probably responsible for the reluctance with which the whole problem of emigration was approached. The conspiracy of silence has however lately been broken. The stream of emigrants became too big to be ignored and groups of emigrants who could not find a livelihood in the countries to which they had returned became a responsibility of the Israeli authorities abroad. Eventually people in Israel came to realise that emigration on a certain scale was only to be expected after the immigration-rush of the last five years. Every country of immigration, including the United States, has had also a certain percentage of emigrés. In Israel too periods of large-scale immigration have always been followed by a period when the tide turned and people went back whence they had come or tried their luck in another country. This happened before world-war I and again in the twenties. That it should happen again in 1952/53 was only to be expected.

The volume of emigrants from Israel is not alarming. As against the 710,000 who came into the country over the last five years 50,000 (roughly 7 per cent) left during the same period. And these were by no means all new immigrants; it is estimated that among those who departed there were some 15,000 old-timers. It is, of course, not easy to find out what made these people move again, although questionnaires are filled in at the request of the authorities and inquiries are made by reporters and statisticians. Migration among Jews is influenced more than among most people by their world-wide connections, by the fate and advice of relations and by the fact that families were scattered all over the world during the war years.

Economic difficulties, however, undoubtedly played a large part in encouraging people to set out on their travels again. Among so many there were bound to be some who did not succeed or who came with illusions about Israel's economic possibilities; more often than not, conditions in the country were painted in much too rosy colours by the emissaries who urged people to go to Israel. From the economic point of view Israel will not lose much if people who were not prepared for hard work leave again in order to try their luck elsewhere. But it can ill-afford to lose

skilled workers or members of professions or scientists. Palestinian Jewry under the Mandate had more intellectuals and more skill than it could use; but Israel today is crying out for skill because the mass-immigration contained only a small fraction of highly-trained people. It has been repeatedly pointed out that the emigration of skilled workers and professional people would cease once the egalitarian system of remuneration—under which a bus driver gets more than a cabinet minister—was modified. But as things stand at present there is not much hope that reforms in this field will be made soon.

Another important point is psychological and intricately bound up with the relations between the various groups of immigrants. More than 50 per cent of the Jewish population in Israel today comes from a wide range of Oriental or North-African countries. Many of the old-timers lump all of these together as "Orientals" but in fact there are wide differences—of social and cultural standards and of intellectual ability—between them. An Iraqi or Egyptian engineer or doctor may be as "westernised" and as able professionally and intellectually as his colleague in Tel-Aviv who came from Germany or Poland. On the other hand there are tens of thousands who may possess some of the treasures of Eastern culture but are totally ignorant of western ways of life and of western methods of production and are therefore unfit for skilled jobs. It is this diversity in the human material which makes life in Israel today so complicated but also of so much interest to the sociologist.

Disappointed Newcomers

It is not surprising that many "Orientals" should have developed an inferiority-complex with all the touchiness and superficial toughness that goes with it; or that some of the Jews from North Africa should prefer to return to their country of origin rather than put up with what they imagine to be the haughtiness of the old-timers. A number of Indian Jews asked to be sent back not only because they could not adjust themselves to hard work and primitive living conditions but also because they complained of "discrimination." When, however, they were sent back by the Jewish Agency they discovered to their dismay that they could not continue in India where they had left off and wanted to return to Israel again.

There are more instances of disappointed emigrés and they cause much trouble to the Israeli authorities abroad. The "Law of the Return" passed by Parliament during the period when exhilaration over mass-immigration was at its height bestows Israeli citizenship on every Jew who enters the country after only a few months' residence. The state thus became responsible for many who decided to emigrate again and who, when stranded abroad without means, claimed the assistance of Israeli authorities. Israel may even see a second return of those who have been sobered by the difficulties of life in other countries.

In the field of emigration as in the field of economics Israeli public opinion is coming down to earth. The very fact that a number—and not all of them newcomers—wish to leave has led to a renewed discussion of the attitude of the old-timers to immigrants, of the relations between the different groups which have to be integrated into a joint community and of the problem of education which cropped up after mass-immigration came to an end. This discussion, if undertaken without cant, might lead to a number of necessary reforms in education and in public life in general.

'Fly fighting' to greater effect

The constant destruction of disease-bearing flies is a measure vital to public health—and one for which any new insecticide offering greater power and effect is sure to be welcomed.

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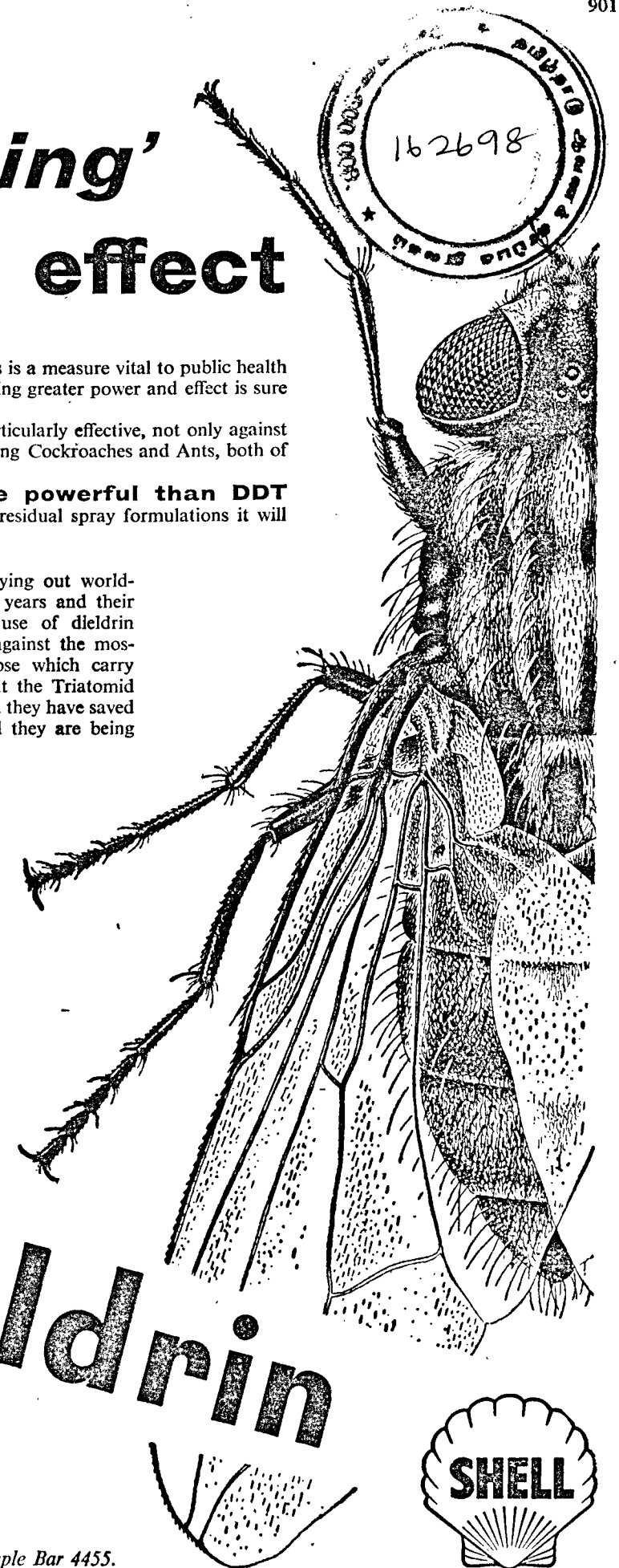
Test sprayings of the South Coast beaches show that dieldrin offers very great promise of being the most effective answer to the current fly infestation (*Coelopa frigida*) in both the larval and adult stages.

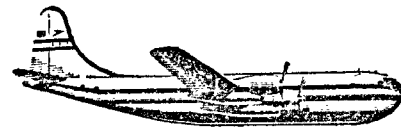
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THE BUSINESS WORLD

The Shareholder Today

SIXTY-TWO shillings and sixpence was Mr Samuel's price for Savoy Hotel ordinary shares, and in the end he got it from the very directors who had earlier denounced it as "excessive." It is part of the bargain that Worcester Buildings Company (which the directors of the Savoy Hotel had formed to put the Berkeley Hotel properties beyond the reach of Mr Samuel and all the other ordinary shareholders) will be put into liquidation. Mr Samuel has told the Board of Trade that he has ceased to be concerned with an enquiry into the company's affairs. For their part, the directors have not disclosed the source of the support—involving more than £1½ million—which enabled them to take over Mr Samuel's holding. A purchase price of 62s. 6d. is something very different from 45s. 6d. to which the shares dropped at one time this week. Evidently the directors will have a lot of work to do—and a lot of words to eat—before Savoy Hotel shares can earn and maintain a price of 62s. 6d.

When last week's article on the battle for the Savoy was passing through the press, all these events had still to come. Mr Samuel proved—as his earlier offer to sell had already suggested—that he was not so set on the idea of using the Berkeley Hotel property to better advantage that he would throw aside the opportunity for making a handsome capital profit for one of his companies. The danger now is twofold: first, the whole episode may be written off as another speculative coup, in which the forces of good had to pay dearly to defend themselves; secondly, the issues of principle involved in takeover bids and in the technical means that the directors of the Savoy contrived to frustrate Mr Samuel may be quickly forgotten. But before the dust has died down, let it again be recorded that the directors of the Savoy Hotel, by their contrivance of alienating properties that belonged in equity to their shareholders,

have done permanent damage to the basic assumptions of joint stock enterprise. At Question Time on Tuesday, this point passed unmentioned. But there was a battery of questions from Mr Gaitskell and his colleagues which associated "recent violent fluctuations in the prices of the shares of certain companies" with takeover bids, and with the encouragement that they gave to "the increase of dividends, the dissipation of reserves and the abandonment of conservative financial policies." The Chancellor's moderate reply neatly avoided these contentions and suggested that some bids might be good ("in the normal course of business") and others might be open to criticism on several grounds ("I deplore those cases where there is a speculative element").

By this time, all the real issues have become thoroughly confused. That the general public disapprove of typical takeover bids cannot be denied. But that does not make their objections rational. It may be felt that a bid by A from a West End address may be different in essence from one made by B from E.C.2 or by C from Birmingham. Control by "financiers," particularly new financiers may be thought undesirable—bad for the social and economic fabric of the country, bad for "the workers" whose ways may be disturbed, bad for undertakings and their directors long known and respected, and bad for shareholders. All such objection has a sufficient element of truth to make it sound plausible. The set ways of harmless sloth may well be better than the predatory dismembering of a business by a sharp-eyed newcomer whose only interest is in taking out as much cash as possible in the shortest time.

It is a dangerously short step from this position to denounce all bidders as vultures and to demand that their activities are put beyond the pale, if not made

illegal. Official requests go out to the institutions for "special care" in their handling of requests for finance in cases where there appears to be "a speculative element"—without benefit of further definition. Yet in every property transaction that involves a change of ownership, or a change of use, or a change of status from an unrealistic book value to a current market price there must be some element of speculation. The addiction of directors and accountants to the fallacies of historical cost has led to a grotesque undervaluation of properties in many conventional balance sheets and to a corresponding undervaluation in the shares of the companies concerned. One might suppose from the commination of bidders that inflation had never occurred. When they bid, they have an eye to profit, which is no sin or crime. But there may be valuable economic consequences of their action. They may cause the services provided by a given piece of property to be costed at realistic current values, and if this realistic assessment of cost shows that the existing use of the property is uneconomic the comparison may encourage a change in its use to some more economic purpose.

Bidders, in short, are people whose actions make for economic change—it may be disagreeable change even on those occasions when it promises higher economic efficiency, and it may, at the worst, be change coldly intended to produce a quick profit without overmuch regard to the consequences in the longer run. The fact that, even with the best intentions, such bids and the changes that they contemplate produce a bad impression among some sections of the public is not a decisive black mark against them. They may affront modern *mores* that "profits" are a bad thing. They may present an unwelcome challenge to the contemporary spirit that pervades the whole of the British economy—shared by industrial companies and their directors, by the trades unions, by retailers and distributors, and sometimes even by the consumer himself—that adaptation and flexibility must proceed so gingerly that no trouble ensues for anyone.

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In no sector of the economy has this static philosophy been more apparent than in the relations of directors of public companies to their shareholders and in the rewards that the latter have been conceded in the last decade. The Excess Profits Tax and the Excess Profits Levy have creamed off part of the real substance of industry and the Profits Tax has imposed a penal tax on the distribution of profits (and capital) to shareholders. Successive Governments have exhorted and implored industry to exercise "restraint" in dividend policy, and the last Labour Government was intending to enact a permanent freezing of dividends. Because the Exchequer and accountants have formed an unholy alliance to deny the principles of replacement cost, depreciation allowances have been too small and

"profits" too large; because governments merrily inflated for several years after the war, handsome "profits" emerged from the simple magic of rising prices. The boards of the majority of companies were wise enough to recognise that such easy money (after tax had been paid on it) would not last for ever; they ploughed back the surpluses, extended the undertakings for which they were responsible to shareholders, enjoyed an automatic supply of new capital without having to satisfy the tests of the market and, without realising what they were doing, relegated their ordinary shareholders to the status of holders of non-cumulative second preference shares. At the height of inflation and during the period of the strongest exhortation and heaviest taxation, the equity element in ordinary shares was put into a moral and fiscal deep freeze.

The indignation that has greeted many recent bids and the growing tide of dividend increases is in large part an irrational reaction to the opening of the refrigerator door. It is said that bids and higher dividends are "politically embarrassing." They are bound to be so to any Government that is not prepared to defend the freedom of people, within the law, to buy and sell in the open market or to one that is tempted to compromise on the fundamental principles of a property-owning democracy that form the essential fabric of British company law. In practice, admittedly, a share-owning democracy may be no more enlightened and rational than democracies of other kinds. It can be apathetic to the point of neglecting its own interests. It often provides the perfect field of operation for any board of directors whose motto is "Divide and rule." In theory and in legal form the shareholder is master, exalted by the Companies Act of 1948 far beyond the status of the directors. But in practice he makes no pretence to exert effective control, and is content to leave everything to the directors until he discovers that things are going wrong. There has grown up, too, the doctrine that "the company" is something apart from the totality of the shareholders—that they own no part of its assets, but have a right only to participate in its results to the extent that the directors recommend. It takes an extraordinary crisis to stir shareholders into action; they are incapable of organising themselves to demand changes in policy or increases in dividends; they rank well after the employees, the progress of "the company," and the wellbeing of the customer in the thoughts of the directors whom—in legal form—they appoint.

Is it surprising that in the last decade a wide gulf has opened between the market price and the real value of many ordinary shares? Are not the opportunities for the bidders self-evident? When dividends and share values have lagged so far behind the general rise in the structure of prices, is there anything basically wrong or immoral in activities that spur company directors into distributing a fairer share of "the company's" earnings to the people who own it or to unlock capital values that are not being used by "the company" to the best advantage? Before directors answer that these

things are harmful, they might first compare the rewards to their shareholders with the growth of their own emoluments; if the two sets of figures move in step, their protestations will be heard with the greater respect.

It may not be very realistic to suppose that the general body of investors will be spurred into action by recent events—even by the decision of the Savoy Hotel board to put the Berkeley Hotel properties beyond their shareholders. No new Marx is likely to rally investors with the cry: "Shareholders, you have nothing to lose but your claims." It has been left to the Samuels and the Clores to let loose the suppressed revolution in

Titanium—The Tough Baby

SOON after it was announced this summer that Imperial Chemical Industries would set up a plant to produce titanium in Britain, the requirements of this new structural metal in the United States, the only country where it is known to be in commercial production, increased sharply. These requirements now threaten to outpace existing plans for titanium production there—which in 1953 will probably be no more than 2,500 tons. By the middle of next year the United States may no longer have any surplus of titanium metal for export, because the American aircraft industry, now putting new military machines into production, expects to need more titanium than it can get. Recently the Ministry of Supply has been importing some titanium, and some has come from an ICI pilot plant that may be producing at the rate of 150 tons a year in some months' time. The ICI plant, which will not come into production before the end of 1955, is intended to produce 1,500 tons of raw titanium a year, about a sixth of the output expected in the United States in two years' time. This raises the question whether the Government should review its present plans for production of the metal in Britain, to decide whether these will offer sufficient titanium, in time.

Such a decision, here as in the United States, is for the Government, because titanium, at about £7 a lb, is beyond the purse of anyone but the taxpayer. The ICI plant, like the existing du Pont and Titanium Metals Corporation plants in the United States, could not be justified commercially without a Government contract to purchase at least 75 per cent of its output. What does titanium offer for such a price—about 50 times the American price of aluminium or stainless steel—as a metal for aircraft? Essentially, its unique combination of the two properties that aircraft require from a metal above all else—lightness and great strength.

Titanium is 60 per cent heavier than aluminium, but about half as heavy as stainless steel. Alloys based upon 90 per cent or more of titanium are far stronger than aluminium alloys and stronger than most alloy steels; their strength-weight ratio thus excels all

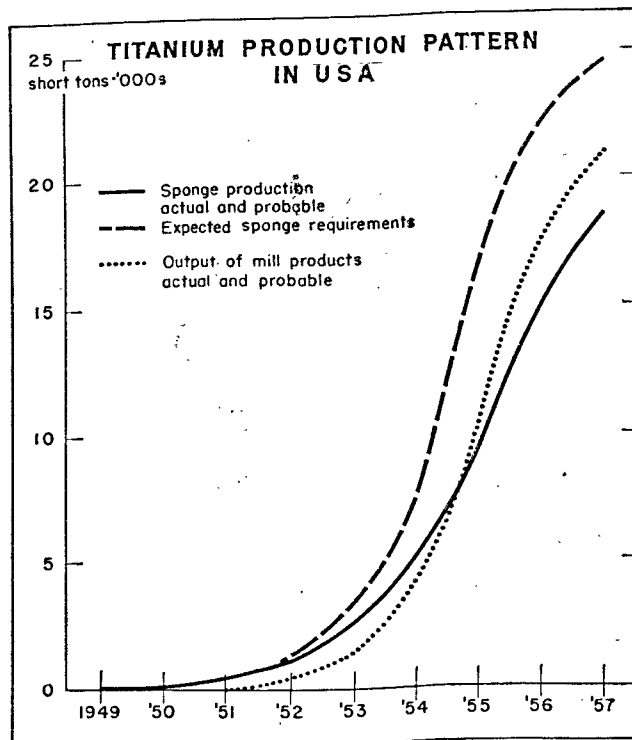
company finance and whatever may be said in criticism of some aspects of their activities, they have provided a most salutary challenge to conventional ideas in the boardroom. It may well be worth one or two disagreeable episodes to provide object lessons to directors at large. It can certainly be said that neither side emerges with any great credit from the battle for the Savoy. Yet the lessons are clear. It is more sensible to give benefits to existing shareholders than to leave the front door open to a determined bidder; once on the defensive, directors may be led into courses that are themselves indefensible.

common engineering metals and alloys. Because of its high melting-point, great hopes were initially placed upon the potentialities of titanium as a high-temperature metal, but unfortunately its exceptional tensile, fatigue and creep strengths deteriorate if it is continually exposed to temperatures above 450 degrees centigrade, and above 700 degrees titanium absorbs oxygen and nitrogen and becomes brittle. Metallurgists still cherish some hopes of new titanium alloys that may offer high performance up to 800 degrees. But on present signs this medium-weight metal performs best in the medium-temperature range from 250-450 degrees, where its qualities far outclass aluminium or magnesium alloys—leaving work at really high temperatures to special steels, Nimonics and Refractalloys.

But even within these limits the demand for this light, strong metal is likely to grow as the performance of aircraft and guided weapons improves. At speeds up to the speed of sound, there may be little advantage in using titanium in airframes; but when speeds push through the barrier beyond Mach 1.5, the skin temperatures of aircraft may reach 250 degrees; and when that happens titanium may have to replace other light alloys in many parts. As it is, certain new American fighters will incorporate large structural sections of titanium, while the Douglas DC7 civil aircraft, which operates at far lower speeds, is now using titanium in the nacelles of its piston engines. But the immediate and vastly expanding demand for titanium in the United States is for gas turbine engines—a demand that is held to threaten a critical shortage of titanium there in the next few years. The alloys may be suitable for extensive use in engine compressors, particularly in the later stages where temperatures reach a level at which other light alloys perform less efficiently, while stainless steel would be far heavier; and the higher-performance titanium alloys may be used in the turbine discs, where temperatures are much greater. Two key engines for the current American air programme, the Pratt and Whitney J-57 and the General Electric J-75, may incorporate much larger quantities

of titanium than were used in any of the hundred or so prototype and experimental engines that employed titanium parts.

At present prices—roughly \$18 a lb for sheet and \$12 a lb for bar—there is little use for titanium outside military aircraft. There is a small but possibly growing use in vulnerable parts of chemical plant, because it adds exceptional resistance to corrosion to its other costly virtues. Titanium production on the scale now contemplated would be quite uneconomic for anything but a large programme of military aircraft; civil aircraft do not enter the range of performance where the use of titanium for any but a few special purposes becomes



Source: Titanium Metals Corporation of America.

imperative. On the other hand, no producer would be in this adolescent industry, defence contracts or not, if he did not believe that the price can eventually be radically reduced to tap a potentially large commercial demand.

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The present high price of titanium reflects the exasperating cluster of technical problems that have to be solved in its production. When molten, titanium is a "universal solvent" that dissolves or is contaminated by every known refractory; moreover, it reacts with the oxygen and nitrogen of the air, so that all extractive and smelting operations have to be carried out under vacuum or in an inert gas. The metal must be extracted with high purity—if not, its qualities will be greatly impaired; and there is no known way of removing any contaminants that it may pick up during extraction. The rutile and ilmenite ores in which it appears as titanium dioxide—more familiar, and in far

greater demand, as a most effective white pigment rather than as a source of metal—are abundant and cheap; they cost only a few cents a lb. But the Kroll process, still the only commercial method of extraction in use, requires the chlorination of the dioxide and then its reaction at red heat with magnesium—itsself an expensive metal, the commercial production of which in Britain is at present only questionably economic.

The "commercially-pure" titanium sponge produced by the Kroll process presents further technical problems in its melting and consolidation into an ingot. Large ingots, weighing up to 4,000 lb, are now being produced; but such a size, necessary if the metal is to be handled efficiently in conventional forging and rolling equipment, is in itself a financial risk—nearly two tons of metal, worth say \$70,000, the quality of which may worry even the experienced producer. Titanium can readily be forged, rolled and wire-drawn; and one American producer is extruding it with the French Sejournet process used also for alloy steels. Owing to the highly reactive properties of molten titanium, casting into complex shapes is not yet practicable, but powder metallurgy offers promise in this field.

Both du Pont and Titanium Metals Corporation, the only two American producers today, use the Kroll process—which was incidentally disdained by industry before the war, and established as the basis of the growing industry only through the persistence of the United States Bureau of Mines and some enthusiasts in the American defence services. Each is at present turning out 4 to 5 tons of the metal a day; by mid-1954 both should be producing 10 tons a day. The Crane Company of Chicago has been awarded a contract to produce 15 tons of titanium sponge a day in another plant using the Kroll process (for which the Government will provide the capital as well as the purchase contract), but this can hardly be in production before 1955; other contracts may be signed following the recent Senate hearings, when the shortage of titanium was surrounded with so much propaganda. Demand for the new aero-engines seems likely to grow faster than the yield of finished titanium products (about 60 per cent of the output of the raw metal "sponge"), but scrap recovery should help to fill the gap. Recovery processes are still in the experimental or pilot stages, but at last they do seem practicable. By 1957, according to present estimates, demand may be in the region of 25,000 tons a year, compared with outputs of 18,000 tons of titanium "sponge" and of 20,000 tons of finished titanium, including recovered scrap.

Every titanium producer sighs for a cheaper extraction process, and for years hopes have centred on an electrolytic method, as is used for aluminium and magnesium. Electrolytic processes on a commercial scale are still out of reach, though perhaps only just; but while American producers are still sure that electrolysis will offer better quality titanium, they are now less sure that this process will be far cheaper.

The visions of "20 cent titanium" have faded; and they believe the introduction of dependable electrolytic methods will be gradual, not an overnight revolution.

The British production plant now being built by ICI follows four years of research into titanium by the company. It does not appear likely that ICI will use an electrolytic process; it seems possible, though this is unconfirmed, that it may use a thermal reaction method differing from the Kroll process, in that the titanium tetrachloride will be reduced with purified sodium and not with magnesium. Experimentally, this process is well established—indeed, some of the first titanium metal ever made was produced by it—but no existing or projected plant in America employs it. The use of purified sodium might call for large amounts of power in electro-metallurgy, but large amounts of power are equally required for the present Kroll process, and would be required for an electrolytic process. Though ICI has experience of producing titanium in a Kroll reactor pilot plant, the inherent difficulties of producing titanium, together with the special problems of starting a new process, introduce more financial risk into this venture than almost any other manufacturer except du Pont (which originally began production at its own risk) has yet faced. The plant itself is being financed by ICI, and though it has if necessary a guaranteed Government market for three-quarters of its output, this will be governed by the prices reigning by 1955 for American titanium. Even using Kroll reactors, the American producers have assured their Government that they hope by 1956 to bring down their prices for titanium

sheet to about \$4 a lb, and for bar down to \$2 a lb. If they should achieve such prices, ICI would need all its vast technical ingenuity and commercial experience to make its new plant pay.

Britain has thus become the second country in the world to announce plans for titanium output beyond an experimental scale, though Americans who have been judging the excellence of Russian technical literature think that there may be some production behind the iron curtain. So far, the small quantities imported here and those produced from ICI's pilot plant have been used for experiment; Rolls Royce, indeed, produced some of the first compressor blades ever made from titanium. The exchange of engineering data has not been in one direction only; a director of Titanium Metals Corporation said last month: "Sending any new engineering material to Rolls Royce can do that material nothing but good." The American producers, indeed, hope to squeeze out some titanium for export here throughout next year. But, whatever may be their judgment of this new metal, British engine designers obviously cannot plan to use titanium in production quantities until it begins to come from ICI in 1955. If that is a handicap, it is one about which little can be done now—Congress, indeed, may be in a temper to clap an embargo even upon the current trickle of exports. Whether Britain's military aircraft and guided missiles are entering the range where sizeable and growing quantities of titanium will become essential, and whether the output at present planned by ICI needs to be accelerated, or supplemented by further British production, are questions that the Government has now to decide.

Business Notes

What Next in Steel?

REMARKABLE examples of muddled thought and a complete lack of constructive policy were the almost exclusive features of last week's House of Commons debate on the sale of the United Steel ordinary shares. Mr Hynd, who moved the Labour resolution, took as his main point that in order to resell the company's capital at a profit the Iron and Steel Holding and Realisation Agency has reorganised the capital so that both the ranking capital and the prospective annual dividend and interest payments to outside interests will be larger than under nationalisation.

That is true even though Mr Hynd apparently did not appreciate that the £10 million of debenture stock does not

enter into the calculation since it represents freshly subscribed cash. On the dividend forecast of 9 per cent the total annual dividend charge will be around £1,700,000 gross against about £740,000 gross interest at 3½ per cent on the compensation stock; but the argument falls because £1¼ million of that prospective charge is equity dividend, the payment of which is dependent upon the availability of earnings.

On one small point only did the debate make a material contribution. Mr George Strauss has modified to a minute extent the wording of Labour's re-nationalisation "threat." In claiming that when Labour is able to nationalise steel again compensation will be limited to the amount already paid and that dividends in excess of 3½ per cent will be taken into account Mr Strauss now explains that he is not referring to new capital which may be raised

meanwhile. For such small mercies small thanks are due. But what of new capital which may be created out of undistributed earnings? And what of the incentive to managements to plough back as Mr Strauss desires if that, too, is not allowed for?

On Labour criticism of the terms of sale of United Steel shares Mr Strauss gave only diffident support to Mr Hynd. He found himself either unwilling or unable to say whether he considered the selling price was too high or too low and was reduced to stigmatising Sir John Morison, head of the realisation agency as the victim of a powerful monopoly—the consortium of City issuing houses which advises on these offers. Surely it is desirable that the agency should have the best financial advice on its financial operations. Surely, too, the outcome shows that the advisers, who would never have dared to dictate to Sir John Morison, at least judged the market closely. Certainly there has been no support for the suggestion that the big interests received excessive allotments.

With United Steel now standing at a discount of 4½d., there is no support from the consortium, no selling and a little buying from large investors. It is some of the smaller applicants who hoped for quick profits who are now selling and finding a shortage of monopolists willing to take their stock. Doubtless the agency would like to make another offer fairly quickly. It had hoped to sell the relatively small Lancashire Steel in mid-December. Now it is not to be expected that anything can be done until February. Whether it will then be the relatively large Stewarts and Lloyds or Lancashire Steel may depend in part upon the size of the investor's appetite.

Exports—1953 and After

THE provisional returns of Britain's overseas trade in November could hardly be better. The value of exports was the highest for twenty months, imports were rather lower than in October and the gross visible trade deficit was the lowest for three years. Although November had only 25 working days, two fewer than the previous month, exports rose to £239.9 million (f.o.b.) from £227.6 million in October and a monthly average of £211.6 million in the third quarter. Re-exports fell by £400,000 to £8.9 million, but were still £400,000 above the third quarter average. On a working day basis the improvement in exports was striking. The average for November was nearly £10 million a day, compared with £8.8 million in October and a third quarter average of £8.5 million.

Exports to North America, however, fell to £25.1 million from £27 million the previous month and a third quarter average of £26.7 million, a rise of £500,000 to £13.8 million in shipments to Canada being more than offset by a rather sharp fall of £2.3 million to £11.3 million in shipments to the United States. The value of imports fell to £272.4 million (c.i.f.) in November from £279.8 million in October and a third quarter average of £274.8 million. The gross visible trade deficit was reduced to £23.5 million, less than half the third quarter average.

The sharp rise in exports in November has given a veneer—but no more—to the figures for the first eleven months of the year. An increase of some 3 per cent in the

volume of exports in this period has been offset by a slight fall in export prices, so that the total of £214.4 million is no better, in fact £1.4 million worse, than that of the same period of 1952. This comparison does, however, conceal an improvement in the last five months, when exports rose to a monthly average of £220.5 million from £202.6 million in the same period last year. Exports always tend to rise during the autumn, and what is now worrying Ministers, and sending them to stomp the country in the call for greater efforts, is whether the recent improvement can be maintained, if not bettered, in 1954. Shortages of sterling in

UNITED KINGDOM TRADE
(£ million—monthly averages or calendar months)

	Imports c.i.f.	Exports f.o.b.	Re-exports f.o.b.	Visible trade deficit
1953, 1st quarter	272.4	208.5	10.0	53.9
" 2nd "	291.7	210.0	8.0	73.7
" 3rd "	274.8	211.6	8.5	54.8
" October...	279.8	227.6	9.3	42.9
" November*	272.4	239.9	8.9	23.5
1952, Jan.-Nov. .	292.6	215.8	12.4	64.4
1953, Jan.-Nov. *	278.9	214.4	8.9	55.6

* Provisional figures.

the so-called "third markets" may partly account for the decline of £77 million in exports to such countries in the first ten months of the year, but these shortages are not likely to be appreciably eased next year. At the same time competition from Germany is increasing, and the flow of orders, particularly for engineering goods, is not reassuring. It seems that the main effort must continue to be made to the dollar and OEEC markets, where prospects are more promising. Exports to the dollar area rose by £42 million in the first ten months of this year and to the OEEC area by £41 million.

Equity Rights

AFTER representations by about thirty shareholders, Joseph Lucas has reversed its regrettable plan to cease paying interim ordinary dividends. This decision, when announced by the chairman in his annual statement last month, was criticised in these columns and elsewhere, since it would have pressed unnecessarily hard on shareholders. The quick change of mind by the directors must be unreservedly welcomed; it represents a minor victory for shareholders who are prepared to defend their interests.

In another company—Telephone Properties—shareholders holding a minority of the equity capital have also been quick to assert their views. The directors (who control the majority of the votes) set the cat among the pigeons when they announced that the sum of about £2½ million arising from the sale of the company's principal asset, the 83 per cent holding in the equity of National Telephone Company of Venezuela, would not be distributed to shareholders as it became payable in instalments over the next four years. Instead, the directors propose to invest this money, turning the business into an investment trust. In

support of this decision, the directors pointed to the company's articles of association which state that profits realised from the sale of capital assets shall not be available for dividends but shall either be transferred to a capital reserve or used in writing down assets. They add that the articles make it impossible to distribute capital profits to members without incurring the risk that such profits might attract tax.

Some shareholders have already pointed a way round by proposing a reduction in the capital to a purely nominal figure. Their opposition to the board's plan is mainly based on the contention that the sale of the Venezuelan assets knocks away the principal prop of the business and therefore that it is not in shareholders' interest to keep the company alive. If the directors remain adamant these shareholders may take the drastic step of petitioning the Court for a compulsory winding-up order. In this instance the minority shareholders seem to have a good case at least for demanding an option either to continue with the company in its proposed new form or to take out their equity.

Optimism About Nuclear Energy

THE résumé of the development of nuclear power that Lord Salisbury, the Minister now responsible for atomic energy, gave to the House of Lords this week suggests that there is still a great deal of loose thinking in official circles on the contribution that it is likely to make towards the country's power supplies. He repeated the argument that is already popular among nuclear physicists, namely that world resources of conventional fuels are being burnt up so rapidly that atomic fission will be harnessed to the power turbines only just in time to save mankind from a return to candles and a new Dark Age. He also added that the sooner nuclear power plants release 30 to 40 million tons of coal a year for exports, the better for the country.

This seems a distinctly big assumption to make about a method of power generation on which so little is known. The economics of atomic power plants, so far as any estimates can be made at this early stage, are far from competitive with conventional power plants. Lord Salisbury himself admitted that atomic electricity would cost about 1d. a unit to produce compared with ½d. a unit at the thermal power stations. To suggest, as official speakers have suggested more than once, that atomic power already offers a solution to the problem of the country's marginal electricity supplies is nothing short of wishful thinking. It would be much fairer to the scientists concerned with the difficult task of designing and building the first nuclear power plants, if Government statements were in future to make it quite clear that such plants are wholly experimental, and that the time to assess their role in the fuel and power industry of the country will come when something positive is known about their method of operation and their probable cost.

Payout for Colliery Houses

THE December issue of Treasury 3½ per cent stock 1977-80 in part compensation for the nationalised coal mines and their ancillaries is the largest of these half-yearly

stock issues since the process of compensation in instalments began in 1950. On this occasion compensation amounting to £33 million has been satisfied by the issue of £35½ million nominal of stock at 92 11/16. The amount is large because it is the first issue since the basis for valuing the colliery houses was decided by an independent tribunal set up by the Coal Board and the Mining Association. Many companies have been able to agree the values of their houses, and several liquidators have been able to give shareholders estimates of the break-up values of their shares.

Future instalments of colliery compensation must be smaller—how much smaller it is impossible to guess, for there is no breakdown of the compensation already paid for the various classes of mining properties. Altogether £189 million of colliery compensation money has now been paid and the nominal amount of Treasury 3½ per cent 1977-80 stock (which has been consistently used for the purpose) has risen to about £206 million; the "coal industry value" assets have been fixed at £164,660,000 and ancillaries are believed to rank for about £100 million. Evidently the bulk of the global figure has been paid and a useful start made on the more important ancillaries. It follows that colliery shares have become a much more restricted field for investors seeking capital gains.

This week's issue has contributed to the rally in the gilt-edged market, which was dragging downwards. It represents a disbursement of cash rather than a new stock issue. No money is taken from the pockets of the investing public and the new stock finds its way back to the Government broker in exchange for cash. The recipients are largely companies in the process of liquidating. They sell the stock at once and the Government broker plays longstop to the market, accepting at the start of dealings all the stock offered to him at ¼ below the issue price. If market estimates are to be relied upon, the operation may have injected about £25 million of cash into the system, which is only £2 million less than the United Steel share offer and the New Zealand loan together are withdrawing from it.

EMI out of the Groove?

MANY shareholders must have attended last week's meeting of Electric and Musical Industries in a critical mood, for their dividend had been cut from 12 to 8 per cent (following a fall in trading profits from £1,500,000 to £660,000) while many of EMI's competitors had continued to report higher profits and dividends. After listening to Sir Alexander Aikman's lengthy speech they must have left the meeting with the uneasy feeling that their misgivings (admittedly largely unspoken ones) had not been completely answered.

Sir Alexander isolated a number of factors to explain why the group's profit margins were so sharply reduced in the year to June last, when there was a slight increase in total sales. The least contentious point he made was that the group's sales—over half of which are made abroad—were badly hit by the recession in the primary producing countries. His other point that the group had difficulty in surmounting the obstacle of switching to the production of long-playing records (involving "substantial additional outlay") prompts the observation that other gramophone companies seem to have overcome these difficulties with much

less pain. Similarly, his remark that although the market for the lower-priced television sets was good, it "was not so good for the very high-grade types which constitute the bulk of EMI's programme" could be critically interpreted as meaning that the group had misread the market and had priced some of their sets out of it.

Looking forward, Sir Alexander suggested that the sales of the group's gramophone records and radio and television sets should be at least maintained in the current year of trading. But shareholders were left to find what comfort they could in his conclusion:

The prospects for the immediate future in some directions are much brighter, but in others somewhat unfavourable; some of these are applicable to industry as a whole and some peculiar to our business and to certain territories in which we operate.

Critics of EMI will hardly find in this the answer to their arguments that the group might have extended much further the goodwill associated with the HMV trade mark. And they may still wonder how far EMI's business will be affected by the ending of the reciprocal arrangements for the sale of gramophone records between itself and the Radio Corporation of America.

Finance in Search of Inventions

A BILL to prolong the life of the National Research Development Corporation for another five years, which was published last week-end, did not explain how the Corporation was to be financed during that period. The answer came when the NRDC's accounts for the year ending June 30th were published a few days later. These show that since the Corporation came into being in 1949 it has invested only £500,000 in new inventions out of the £5 million voted for its first five years. The plain truth is that the NRDC has been hard put to find projects into which to put its money. When its first five years end, next June, its unused borrowing powers will amount to at least £4 million, and past experience suggests that this should be ample for the next quinquennial.

The NRDC was set up to provide finance for inventions the development of which might not attract private industry. From the liberal way in which the Corporation's terms of reference have had to be applied, there appear to be far fewer such cases than was at one time believed. The fourteen projects that are now in hand make a decidedly mixed bag, ranging from electronic computers, one of the NRDC's outstanding successes, to potato harvesters, chick sexers, light steam engines, diffraction gratings, several chemical projects, including the production of hecogenin from sisal as a starting-point for cortisone synthesis, and some aspects of the highly important work done by the Royal Aircraft Establishment on plastic structures. A feature of several of these projects is that they originated in laboratories associated with the Department of Scientific and Industrial Research, so that in addition to holding non-military patents owned by the Government (of which the total so far comes to 2,224), the NRDC is becoming partly responsible for developing and exploiting the commercial aspects of government research.

Little Change in Sulphur

THE effect of the return of sulphur and sulphur-bearing pyrites to private trade on January 1st will be more apparent than real. Control of sulphur for its principal use—in the production of acid—will end, but imports of sulphur for this purpose will continue to be restricted to that portion of Britain's requirements that cannot be met from other materials. The Ministry of Materials, which takes a cautious view of the outlook for supplies of sulphur, considers that it is necessary to lessen industry's dependence on this material and to conserve supplies.

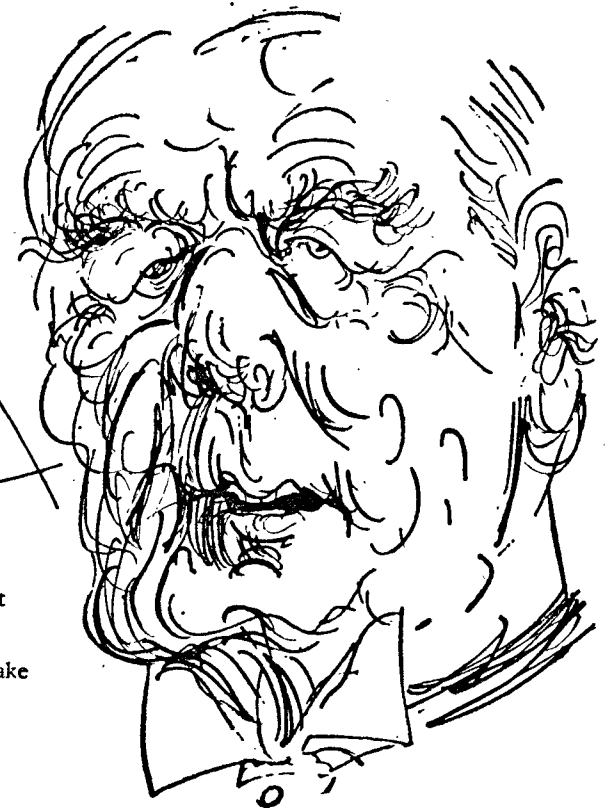
Restriction of sulphur imports is designed to keep in full operation the new plants using imported pyrites or domestic anhydrite, which have higher costs than the sulphur-burning plants. The supply of sulphur is admittedly only just in balance with demand, but this itself seems to offer sufficient protection for the new plants. And it is doubtful whether the quantitative restriction of imports, which will be exercised by the granting of specific licences, could be justified before GATT on balance of payments grounds. The United States, however, can find a ready market for the sulphur that it is prepared to export, and is unlikely to raise any objections. Imports of pyrites will be returned to open general licence.

The National Sulphuric Acid Association, which has acted as the Ministry's trading agent during the years of control, will now act for the industry as a principal, as it did before the war. The association will handle all imports of sulphur and allocate supplies to consumers. It will also arrange for the import and distribution of a considerable part of the industry's requirements of pyrites.

Freedom for Silver

THE London silver market has this week moved into line with many other commodity markets in regaining its freedom to obtain supplies where it wishes and irrespective of the currency in which payment has to be made—provided, however, that the silver in question is destined for domestic consumption. Up to the end of last week the market could import silver for this purpose only from non-dollar sources. If the imports from those sources did not suffice for the essential needs of domestic industry the market had access to silver from the Government's stock; this was supplied by the Bank of England at "official" prices based on the current New York parity. It has now been decided that official stocks should no longer be available to supply these needs. The stock is to be husbanded to repay the 80 million ounces of lend-lease silver due to the United States. In consequence, the market is now allowed to buy its "essential" silver in the cheapest market, including the dollar area. This freedom to import dollar silver does not, however, imply freedom to arbitrage and re-export such silver. Multilateral dealings in silver will, as in the past, be subject to official permission, and that will depend upon the relative hardness or softness of the currencies in question. It will still be forbidden to import silver from a hard

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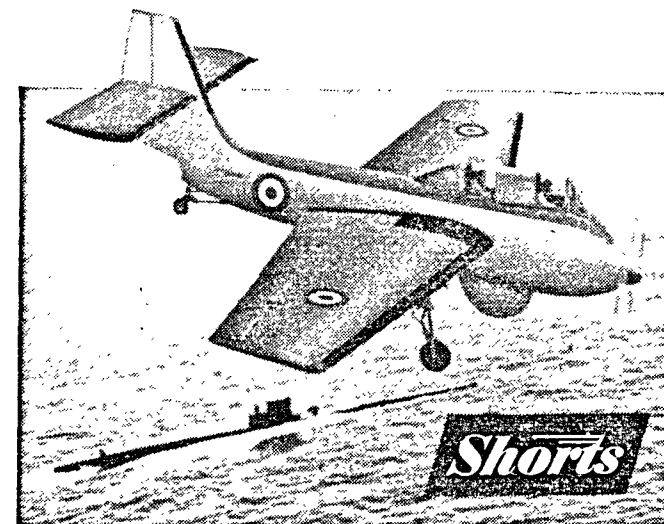
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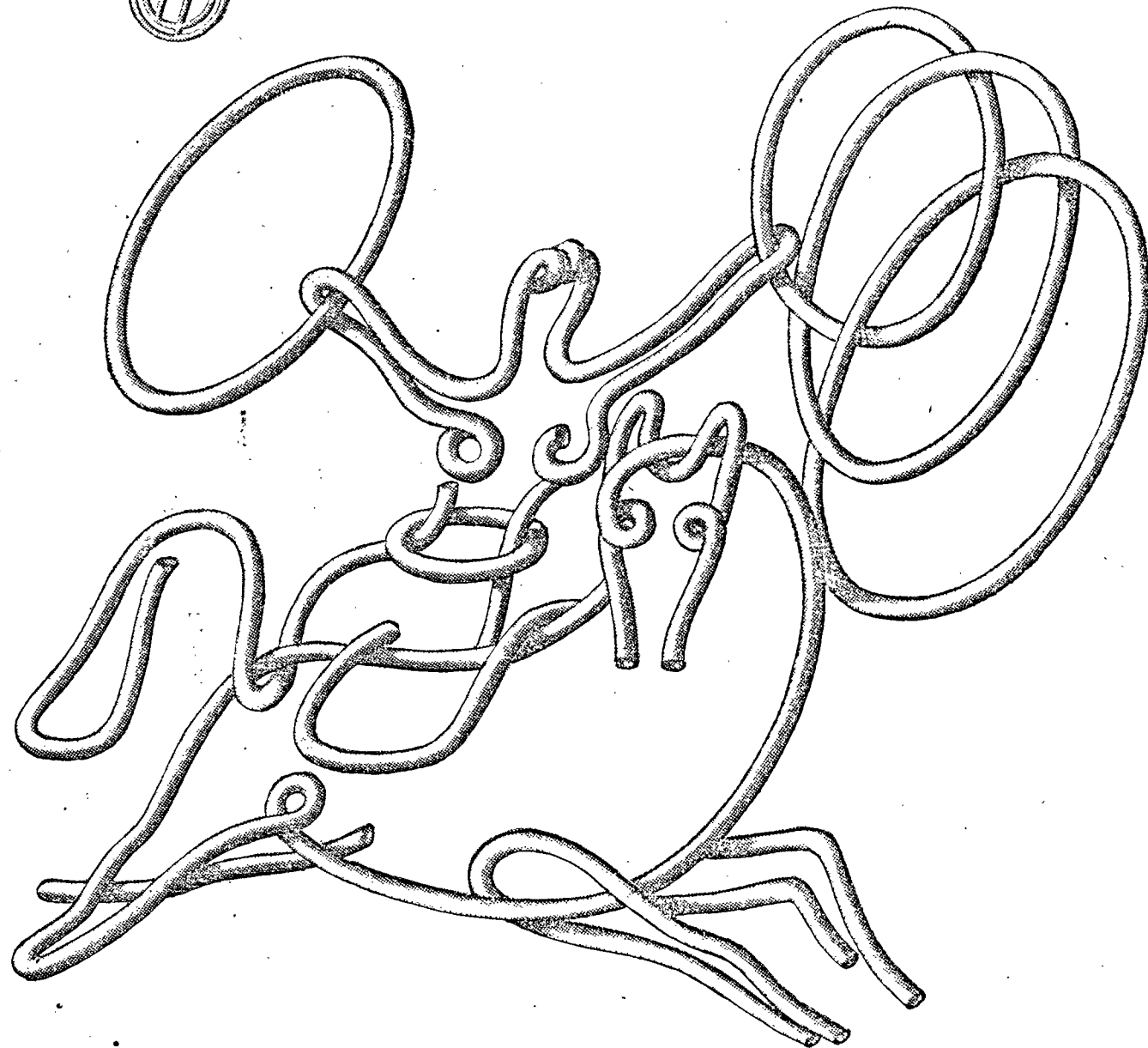
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currency area in order to resell it for softer currency. It is not expected that the satisfaction of essential domestic requirements will involve substantial purchases of dollar silver. Indeed, the market has been given to understand that if its freedom to buy dollar silver is used too extensively, the new concessions will be withdrawn.

The relaxation has been made in the confident belief that supplies of non-dollar silver will be more than adequate to satisfy domestic requirements in the months ahead. This confidence is based on recent arrivals in this country of substantial consignments of Russian silver. A large cargo valued at about £4,500,000 made its appearance in October, and most of it was bought by the Bank of England on Government account. Smaller sales have since been made in the London market and have had the effect of wiping out the premium for free or sterling silver over the quotation for official silver based on the New York parity. Thus the arrival of Russian silver has had an effect on the silver market comparable with the impact of consignments of Russian gold on the free market for that metal. During the past week there have been no further sales of gold from Russia, and as a result the free market price has hardened to a few cents premium over the official parity of \$35. Large arrivals of silver from Russia are out of the question for some time to come, since the Baltic ports are freezing over and silver is too weighty a commodity to be economically transported by air. But the supplies have been sufficiently expanded by recent Russian offers to justify the freeing of the market without conjuring up fears of substantial purchases of dollar silver.

Changing Views on Rubber

LIFE has gone out of the rubber share market; the small burst of activity of a fortnight ago died down when the American concession on the rotation of the stockpile fell short of the best hopes. Yet oddly enough some of the leaders of the plantation industry seem at this very moment to be changing their view on the prospects for rubber.

Their change is based mainly on a more favourable interpretation of the statistics. Sir Eric Miller gave shareholders of Harrisons and Crosfield a hint last Monday when he reminded them that the percentage of natural rubber used in the United States had moved from 39.6 in the first half of this year to 44 in October, and he expressed the view that the ratio should reach 50:50 before long. Sir Eric pointed out that this improvement is occurring despite the fact that oil-extended synthetic rubber is several cents per lb cheaper than GR-S. Though he did not explore it, this contrast seems to lend support to the suggestions that oil-extended rubber involves the user in much greater operating costs.

The figures at least make it arguable that the true surplus of natural rubber this year may turn out to be much less than was previously foreseen and that it may shrink away still further next year—provided that there is no more than a moderate fall in the activity of the American consuming industry. Against the Rubber Study Group's prospective nominal surplus of 169,000 tons must be set the increase in the American and British stockpiles which should account for about 80,000 tons by the end of this year and an

increase in manufacturers' stocks throughout the world of around 45,000 tons. This leaves a prospective surplus of no more than 44,000 tons and in view of the questionable nature of the Far Eastern figures, especially when it comes to calculating the dry content of wet rubber, some authorities are inclined to doubt whether the true surplus is so high.

The best estimate for the end of this year is that the United States stockpile may amount to about 1,200,000 tons. That would leave about 50,000 tons still to be bought, presumably in 1954. There is no present confirmation that America intends to use some counterpart sterling for that purpose. But by whatever means rubber is bought in 1954 the gap to be bridged should not be wide, provided that natural rubber does not rise substantially in price.

Seasonable Cheer in Kaffirs

THE recent recovery in the Kaffir market was assisted by the optimistic tone of Mr Robert Annam's speech at the general meeting of Consolidated Gold Fields; it has been kept alive by the unexpectedly good crop of Christmas dividends from the Cape. The distributions recently announced by three mining groups—Anglo-American, Central Mining and Union Corporation—are listed in the accompanying table; only one of these payments is smaller

KAFFIR DIVIDENDS
(June, 1952—December, 1953)

Ordinary Shares	June, 1952	Dec., 1952	June, 1953	Dec., 1953
<i>Anglo-American</i>				
Brakpan, 5s.	s. d. 0 7½	s. d. 0 8	s. d. 0 6	s. d. 0 6
Daggafontein, 5s.	3 0	3 0	3 0	3 0
East Daggafontein, 10s.	1 1½	1 0	0 9	0 10½
South African Land, 3s. 6d.	1 9	1 9	1 3	1 6
Springs Mines, 5s.	0 3	0 3	0 1½	0 1½
Western Reefs, 5s.	1 3	1 3	1 3	1 3
<i>Central Mining</i>				
Blyvooruitzicht, 2s. 6d.	1 6	1 6	1 4	1 4
City Deep, £1.	1 6	1 0	0 6	0 6
Cons. Main Reef, £1.	2 9	2 3	1 9	1 9
Crown, 10s.	2 6	2 6	2 6	3 0
Durban Deep, 10s.	2 6	2 0	1 9	1 9
East Rand Prop., 10s.	2 6	2 6	1 9	1 9
Modderfontein East, £1.	2 0	1 6	1 6	1 6
Rose Deep, 19s.	1 9	1 3	...	...
Rand Mines, 5s.	3 0	3 0	3 0	3 0
Transvaal Gold, £1.	0 9	0 9	0 6	0 9
<i>Union Corporation</i>				
East Geduld, 4s.	2 0	2 1	1 9	1 9
Geduld Prop., £1.	6 3	6 3	5 9	5 9
Grootvlei Prop., 5s.	1 3	1 3	1 2	1 1
Marievale Cons., 10s.	0 10	0 10	0 10	0 11

than that announced last June. Even more surprisingly, in view of the further squeezing of gold profits between the rise in working costs and the running off of the premium on "free" gold sales, five of the producing mines have announced higher dividends than they paid in the summer. Among these increases the stock markets were particularly surprised and pleased by those announced by East Daggafontein, South African Land and Crown Mines.

Building Societies "No Change"

As a whole the building societies have managed well to accommodate themselves to changing interest rates and to play their necessary part in financing the growing amount of private housebuilding. Doubtless many of the smaller societies wish that new shareholders and depositors were easier to find; doubtless some of the borrowers wish that house loans could be arranged to cover higher percentages of the purchase price. But the big societies show formidable growth compared with the days when the standard charge for mortgages was 4 per cent and the standard rate paid on shares only 2½ per cent net.

Leeds Permanent is one of the strongest. Its total assets on September 30th showed a rise of £7,908,672 to £74,649,817. A handsome flow of new money has come in. Shareholders' balances have risen from £55,018,387 to £62,689,997. Reserves at £4,384,179 compare with £4,034,332, but they are now a little below 6 per cent of total assets. The society is fortunate in that the market value of its investments exceeds the book value.

The Woolwich Equitable Building Society's total assets now amount to £85,954,000, the share account having risen by £8,850,741 to £72,040,188. In spite of this flow of investment money, the chairman, Mr G. Leslie Wates, argued at Tuesday's meeting that conditions did not justify any change either in the 2½ per cent net rate paid to shareholders or in the 4½ per cent paid by borrowers. Any general reduction in mortgage rates would, he felt, eat into the society's essential operating margin and it was necessary to maintain a rate on share capital which would enable the society to meet the increased demand for mortgages on new houses. Other responsible leaders of the building society movement will no doubt share Mr Wates's view. It has never been the practice of building societies to make frequent changes in interest rates or to adhere closely to small changes in Bank rate.

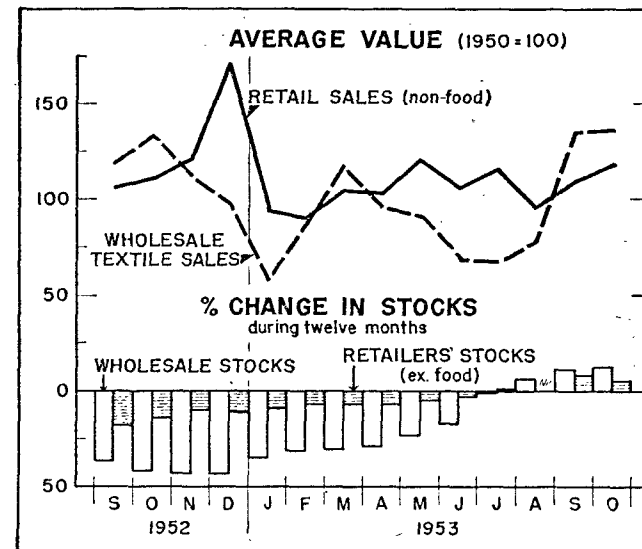
Minor Setback in Sales

THE official figures suggest that retail trade was beginning to pick up in October after a very quiet September, but most retailers are far from pleased at their October results. Sales were 6 per cent in value higher than for October, 1952, and the index (1950 = 100) moved from 120 in September to 125, showing the normal seasonal improvement. But these averages hide some sharp fluctuations in the sales of different types of goods and by different classes of shop. Sales of hardware, for example, showed a big rise; but whereas department stores sold 20 per cent more than they did a year earlier, the multiple stores sold only 10 per cent more, and their sales of pots and pans, as distinct from radio and electrical fittings, were up by as little as 4 per cent. Among the small specialist shops the radio and electrical dealers reported an improvement of 18 per cent, whereas ironmongers sold only 5 per cent more.

In clothing sales, improvement was confined to women's and children's clothes; men seem to have bought little more than they did in October, 1952. The multiple stores

(whose figures include the sales of the large chains of variety stores) captured most of the extra trade, for their sales were 10 per cent higher, compared with a bare 5 per cent improvement for the department stores, 2 per cent for the co-operatives, and 1 per cent for the independent retailers, who are the specialised clothing shops. But this winter the overriding preoccupation for all retailers has not been competition between different types of shops, but the weather.

If the widely differing experience of different classes of retailers is disregarded, the figures suggest a moderately satisfactory improvement in clothing sales. But it appears from trade reports that while winter coats sold reasonably well, sales of other winter garments, such as woollen dresses, have been well below expectations. Clothing stocks were not uncomfortably high at the end of October, but they showed



increases ranging from 7 to 25 per cent on the previous year; stocks of certain types of clothing were already beginning to accumulate, have continued to accumulate in the following weeks, and are not likely to revert to normal levels until after the January sales.

Wholesale sales were 3 per cent higher in October than they were twelve months earlier, and deliveries to retailers continued at the very high rates reached in September. There is some concern among wholesalers, however, about the prospect for the spring trade; retailers with winter stocks still on their hands and with the Budget coming into view, are showing no anxiety to take on commitments for new stock.

Chile Sells Copper

COPPER prices sagged on the London market this week on the news that the Chilean Government has at last authorised the immediate resumption of sales from current production at the market price. Cash copper closed on Thursday at £229 a ton, a fall of £3 on the week, and three months' was £2 lower at £219 10s. a ton. In the United States, however, producers maintained the domestic price at about 30 cents a lb (£240 a ton) for electrolytic copper, delivered Connecticut Valley, which is about £8 a ton above

Basic chemical ingredients are as vital to the world's textile industries as flour and salt are to the cook in the making of ravioli. One of these basic chemicals is the range of Hydrosulphites, essential for the dyeing of super-fast colours. The large independent company of Brotherton, established in 1878, is now one of the world's chief manufacturers of these basic chemicals.

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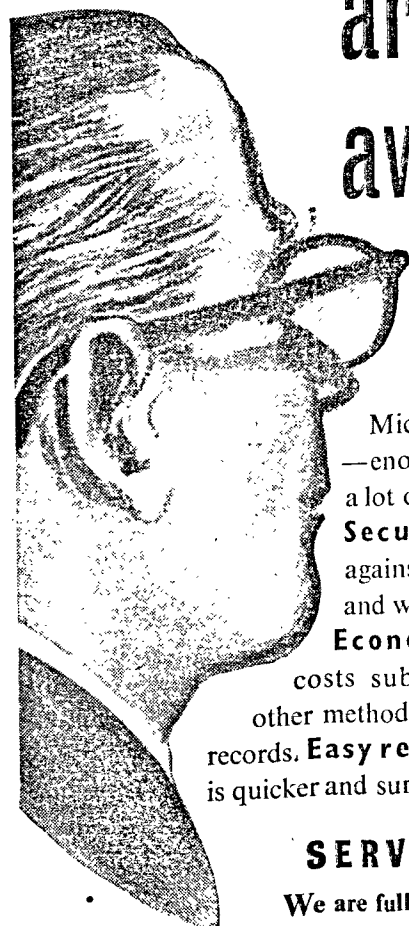
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the Government broker's price for electrolytic in London. Sales of Chilean copper to the big American producers with mines in Chile have just been confirmed at 30 cents a lb. for electrolytic, delivered Connecticut Valley; such sales are in fact being made from stocks lying in the United States, and the equivalent amount of metal from current production will be transferred to stocks held in Chile. But it is unlikely that the Americans can hold the domestic price at that level for very long, and the first break may come, as usual, from the custom smelters.

In Britain there is still a real shortage of electrolytic copper, largely because consumers ran down their stocks in anticipation of low prices. This may cushion the market's fall for some time. But in a few months world prices may be appreciably lower. America can hardly absorb Chile's current output of some 30,000 tons a month, and the balance will come on offer to European markets, which may by then be affected by a diversion of Rhodesian and Belgian Congo copper from the United States. By withholding its supplies from the market for the last six months Chile has proved to be the best friend of other copper producers, and the latter can hardly complain now that Chile has re-entered the copper business. They can at least take comfort from the fact that the surplus of about 125,000 tons of Chilean copper is still likely to find its way to the American stockpile.

Boom in Cocoa

FOR most of this season raw cocoa has been rising under the pressure of a persistently strong demand and a prospective shortage of supplies. Fears of a shortage have recently increased, and prices are now poised rather precariously at a high level. Good fermented Gold Coast cocoa is about 330s. per cwt for December-February shipment, c.i.f. UK. Though the Brazilian crops promise to be rather higher than last season's, the West African crops have been disappointing; the rates of purchase by the marketing boards in the Gold Coast and Nigeria have been slow, especially in Nigeria. The revised estimate of the main crop in the Gold Coast, which produces nearly one-third of the world's supply, is expected to be about 225,000 tons or even less, compared with the earlier estimate of 236,000 tons and a crop of 244,000 tons in 1952-53. The outlook for the Nigerian crop is uncertain. It is generally expected to be about 95,000 tons, some 8,000 tons lower than in 1952-53. It might turn out to be a late crop of roughly normal size, but the poor weather which has been partly responsible for the delayed growth increases the risk of black pod disease, which could sharply reduce production.

The market is proving sensitive to the weekly reports of purchases by the marketing boards, and is liable to swing violently in either direction. Manufacturers are buying only their minimum needs in the hope of a fall, but stocks generally are very low and leave little room for manoeuvre. The big British manufacturers paid 250s. per cwt for 14,000 tons from the marketing boards early in the season, 290s. for 10,000 tons later on, and are believed to have paid (with considerable reluctance) over 300s. for small quantities recently. The boards are now asking about 340s.

Consumption of cocoa products in Britain has climbed steadily since rationing ended last February, and net imports of cocoa beans have risen by 17,000 tons to over 96,000 tons in the first ten months of this year. Buying on the part of eastern European countries has recently increased, and though the purchases are not considerable, they have intensified the tightness of supplies. The only substantial prospect of relief to the market lies in a good intermediate crop in Brazil next summer.

SHORTER NOTES

The interim ordinary dividend of 15 per cent from Great Universal Stores surprised the stock market on Thursday. It is even bigger than the dividend the directors forecast in October when a 50 per cent bonus issue was announced. They then expected to declare an interim dividend of 12½ per cent on the new capital of £4,069,039—the same rate as was paid on a capital of £2,696,026 the year before. In their latest statement the directors add that sales and profits before tax in the first eight months of the current financial year (ending on March 31st next) are "substantially in excess" of those recorded in the same period a year ago. This interim payment throws estimates of the final dividend on "Gussies" into the melting pot, but the market, already talking about a total distribution of 60 per cent, marked the 5s. ordinary stock units up by 1s. 4½d. to 45s. 9d.

★

For the second successive Christmas season the Bank of England has been obliged to ask for a second increase in the fiduciary issue. The issue was raised on Wednesday by a further £50 million, to the record level of £1,675 million. This seasonal increase of £100 million compares with one of £75 million last year. The outflow of notes for Christmas spending has so far been only slightly greater this year than last; but the authorities were undoubtedly concerned to guard against the contingency of a transport strike.

★

The third quarter's financial statement from the National Coal Board presents the bill—in money—for the second week's holiday the miners enjoyed this summer; the bill in coal has already been met. The total operating costs of the mines were £9 million lower than in the second quarter—and indeed lower than a year before, in spite of this year's wage increase—but these had to be spread across an output 4½ million tons lower than in the second quarter (and 2 million tons less than in the third quarter of 1952). The Board realised almost exactly the same price for the coal it sold in the third quarter as it did in the second. Inevitably, therefore, its colliery profits fell—to £156,891, or less than a penny a ton, for the quarter. Its total profits, adding in those on opencast and ancillaries but deducting £600,000 for the loss on imported coal during the quarter, came to only £226,891, before meeting interest charges of £4,150,000. By drawing back £1½ million from the £3½

million it has provided for taxation in the first half of the year, the Board finally showed a deficit in the quarter of £2,423,109.

★

In the Business Note "Judgment on the 'Princess Victoria,'" in *The Economist* of December 5th, the name of the registered manager of the Irish ferryboat that sank in January was given in error as "Captain Perry." This should have been Captain J. D. Reed, whose appeal against a finding of default made by the original inquiry into the sinking was upheld by the Northern Ireland High Court.

Company Notes

COURTAULDS. Investors in blue-chip equities have received this week rather better Christmas boxes than they could have expected. Most significant of these was the announcement of a bonus of shares (accompanied by the promise of a higher dividend) by Courtaulds. The group is the producer of the textile industry's cheapest raw material—viscose rayon. Monthly figures have shown that production has rallied strongly from the low point of mid-1952 and now runs near maximum capacity. Prices were cut this summer but evidently still provide an adequate margin of profit. The particular significance of the dividend increase was that it marked this strong revival in the rayon trade and in the group's profits; this is why the company's £1 ordinary stock units were marked up by 5s. to 50s. 1½d., taking the 10s. ordinary stock units of British Celanese—manufacturers of acetate rayon—up with them. Its general significance was that such a conservative company should decide to join the movement towards higher equity payments; this is why after the announcement blue-chip equities outside the rayon group were also marked up.

The directors intend to correct the glaring disparity between the company's issued ordinary capital of £24 million and the real capital employed in the business by capitalising £24 million from reserves and issuing shareholders with one new £1 stock unit for every unit they now hold, bringing the company's issued equity capital up to £48 million. The company's financial year does not end until March 31st but the directors intend "unless adverse trading conditions or other unfavourable circumstances arise in the interval" to recommend a final dividend of 3½ per cent for this year on the new capital of £48 million. Together with the two interim dividends (paid on the existing capital) of 5 per cent and 1½ per cent this final payment will bring the total dividend for the year on the new capital up to 7 per cent, equivalent to 14 per cent on the old capital. This represents a sizeable increase on the 11½ per cent dividend paid in each of the last three

financial years. On the basis of this new dividend the company's £1 ordinary stock units, at the current price of 50s. 6d., yield about £5 11s. per cent—about the average yield on leading blue-chip equities.

TURNER AND NEWALL.

Another industrial giant to make a sharp break with an ultra-conservative past is Turner and Newall. A year ago this group pushed its dividend up by 5 per cent (to 25 per cent) and now by recommending a total payment for the year to September 30th last of 17½ per cent it has increased it by another 5 per cent. This dividend is to be paid on the ordinary capital of £10,944,718 (as doubled by the 100 per cent share bonus at the beginning of this

	Years to Sept. 30, 1952	1953
<i>Consolidated earnings:—</i>		
Trading profit.....	13,895,719	14,356,631
Total income.....	14,332,938	14,845,200
Depreciation.....	1,951,250	1,859,298
Taxation.....	8,001,072	7,495,680
Net profit.....	3,743,994	4,487,413
Exceptional tax credits.....	55,137	1,108,667
Available for distribution.....	3,799,131	5,596,080
Ordinary dividends.....	700,692	1,027,682
Ordinary dividends (per cent).....	52*	17½
Stock reserve.....	750,000	500,000
Replacement reserve.....	900,000	1,150,000
Carried forward by subsidiaries.....	298,693	606,796
General reserve.....	600,000	2,000,000
Added to carry forward.....	197,360	193,929

£1 ordinary stock at 68s. 9d. yields £5 2d. per cent.
* Equivalent to 12½ per cent on present capital of £10,944,718.

year). These successive increases should soothe critics of the group's dividend policy. Even now this firmly entrenched company can well afford the distribution.

The latest increase in dividends is supported by an advance in the group's net profits from £3,743,994 to £4,487,413—a profit which provides a massive cover on the net equity payments of £1,027,682. This increase in net profits is in line with the advance in the group's trading profits from £13,893,719 to £14,356,631, for expenditure on the development of mining properties of over £500,000 has been balanced by a fall in the tax bill from £8,001,072 to £7,495,680. Vertical integration in the asbestos industry obviously pays just as well as it does elsewhere.

Mr G. H. Latham of Whiteheads will succeed Sir Ellis Hunter of Dorman Long as president of the British Iron and Steel Federation at the beginning of the New Year. The president of the federation is a steelmaker appointed to share the chief responsibilities with its independent chairman, the post to which Mr Hugh Grant, Q.C., was this year appointed to follow the late Sir Andrew Duncan. Sir Ellis has held the office since 1945, and has taken a major share of those responsibilities during years of tremendous significance for the federation—in which the industry was first nationalised and then set firmly upon its way back into private ownership.

Almost invariably it argues the need for heavy appropriations to reserves. Turner and Newall have always followed this policy—some critics might say slavishly. This year the company has been able to reserve even more, thanks to the release of more than £1 million from tax provisions and contingencies.

The £1 ordinary stock units of Turner and Newall have for long ranked among the bluest of blue-chips but in the last few months the yield looked slender even for a share of such standing. The yield reflected buying by institutions as well as private investors. The dividend surprised even the most sanguine buyers and the stock units were marked up 5s. 3d. to 69s. 3d. immediately after the dividend announcement. Now the stock units offer a yield of just over 5 per cent, which suggests that investors believe that the board, having taken its head out of the sand, will have more to offer.

★

HAWKER SIDDELEY. Yet another fillip was given elsewhere in the stock markets by the announcement from Hawker Siddeley that its total dividend for the year to July 31st last was to be 15 per cent, compared with 10 per cent in 1951-52. So generous an increase suggests that the company has shaken off any slight misgivings it may have had about the political (rather than economic) expediency of raising dividends during rearmament. The increase was overdue but this did not prevent the stock market from welcoming it by marking up the company's £1 ordinary shares by 2s. to 50s.; the shares have since fallen back to 49s. 3d., to yield 6.1 per cent. This increase is not, however, the sequel to a spectacular advance in trading profits, which show little change at just over £7,900,000. Presumably the directors are satisfied that the group's output of military aircraft—the only type of aircraft which Hawker Siddeley produces—will provide at least steady earnings over the next few years.

In the latest financial year the task of ploughing back profits into reserves has been made easy by the writing back of over £2,300,000 from tax and other provisions. And, at the same time, the balance sheet shows clearly how far the group has already extended its overseas interests—a policy that springs in part from the need for the strategic dispersal

of the aircraft industry. During the year the group, through its Canadian subsidiary, purchased land and buildings, "comprising the gas turbine plant and other Crown assets," at Malton, Ontario. The initial payment amounted to £2,180,827 and the outstanding balance (which can be paid off in instalments) amounts to £4,017,440. This acquisition is also presumably reflected in the increase in the net book value of the group's fixed assets from £8,278,592 to £16,654,477; these changes in the group's assets and liabilities are so remarkable that it seems

	Years to July 31, 1952	1953
<i>Consolidated earnings:—</i>		
Trading profit.....	7,953,267	7,928,194
Total income.....	7,955,006	7,946,467
Depreciation.....	1,343,748	1,775,551
Replacement reserve.....	1,250,000	1,000,000
Taxation.....	3,768,563	3,482,915
Net profit.....	1,383,436	1,533,414
Exceptional credits.....	668,042	2,553,887
Available for distribution.....	2,051,478	4,087,301
Ordinary dividends.....	305,673	480,344
Ordinary dividends (per cent).....	10	15
Retained by subsidiaries.....	1,619,983	3,488,397
Added to carry forward.....	73,322	64,810
<i>Cons. balance sheet:—</i>		
Fixed assets, less depreciation.....	8,278,592	16,054,477
Net current assets.....	17,850,868	21,919,224
Stocks.....	24,239,193	25,752,574
Cash.....	670,339	7,366,203
Bank overdrafts.....	1,728,227	1,898,380
Reserves.....	16,132,213	21,890,553
Ordinary capital.....	5,822,350	5,822,350

£1 ordinary share at 68s. 9d. yields £5 2s. per cent.
* Including £2,311,798 released from tax and other provisions.

a pity that the directors have not explained them in more detail.

Since the end of the financial year the group (though its subsidiary, Armstrong Siddeley Development Company) has subscribed a further sum of \$6 million as additional share capital in A. V. Roe Canada Limited. It may have been with this subscription in mind that the directors have been so assiduously building up the group's cash balances; in the latest financial year these balances jumped from £670,339 to £7,366,203. This substantial

reinforcement must add to the status of the company's equity shares, which in the rearmament period, at least, should be numbered among the aircraft leaders.

★

BASS, RADCLIFF AND GRETTON. The stock market showed its disappointment with the news that the Bass ordinary dividend for the year to September 30th was to remain unchanged at 43 per cent by marking down the company's £1 ordinary stock units by 1s. to 125s. But the group's preliminary report, though it is disappointingly cursory, provides no evidence that will damage the high standing of these stock units in the brewery market. The latest monthly beer production figures, showing that in October production at 1,983,000 bulk barrels was 4,000 bulk barrels fewer than in October last year, still show a disappointing trend. Nevertheless, as was to be expected from one of the leading companies in the bottled beer trade, Bass has reported (in company with many other local and national brewers) an increase in its net profits; after all charges, including taxation, these profits are returned at £887,133, compared with £639,642 in 1951-52.

This increase in net earnings seems to stem from a rather less marked increase in gross profits, for the group's provision for taxation has fallen from £1,223,617 to £1,099,682, so that its profits before tax (excluding certain exceptional credits) appear to have risen from £1,860,422 to £1,916,518. Of all the breweries, those brewing—and distributing on a national scale—bottled beers have the most certain prospect of reasonably stable profits. It is for this reason that the £1 ordinary stock units in Bass (yielding at the current price of 125s. 7½d. £6 17s. per cent) offer a rather finer yield than those offered on the shares of the "county" brewers. Hence, the appeal of these stock units is to the long-term investor.

LONDON STOCK EXCHANGE

Next Account begins: December 30th.
Next Contango Day: December 30th.
Next Settlement Day: January 5th.

THE threat of a railway strike gave the stock market (which had been uneasy before the week-end in anticipation of this dispute) a sharp knock immediately after the week-end. Then, a crop of good dividend announcements helped to steady the market; finally when the threat of a strike was removed prices advanced quite steadily. On Monday some of the longer dated Government securities lost as much as ½ of a point (bringing War Loan down to 84½). Later, however, as hopes that the strike would be averted became brighter gilt-edged prices began to creep up again; in early dealings on Thursday this advance became stronger.

Similar influences were at work in the industrial market, but prices regained their earlier losses rather more quickly than in the gilt-edged market, thanks to the better dividends announced by Courtaulds and Hawker Siddeley. On Monday the *Financial Times* ordinary share index fell half a point to 126.7, but by the close on Wednesday it had more than recovered from this setback to stand at 128.0. The sections most badly hit by the threat of a strike were brewery, electrical equipment and textile shares. But these last two groups, together with engineering shares, led the recovery later in the week. Another feature of the market was a further violent flurry in Savoy Hotel shares. Throughout this period oil shares remained firm.

Kaffirs continued their advance, which had been stimulated before the week-end by the surprisingly good batch of half-yearly dividends, until Wednesday when the "developers" became a little unsteady. Rubber shares were idle but tea shares in a quiet market remained firm. Interest in the foreign market was concentrated at first on the Peruvian issues, which were marked up in anticipation of the debt settlement. On Wednesday interest switched to Japanese issues which were marked up throughout the list in response to renewed suggestions that Japanese sterling loans would be quoted on Wall Street.

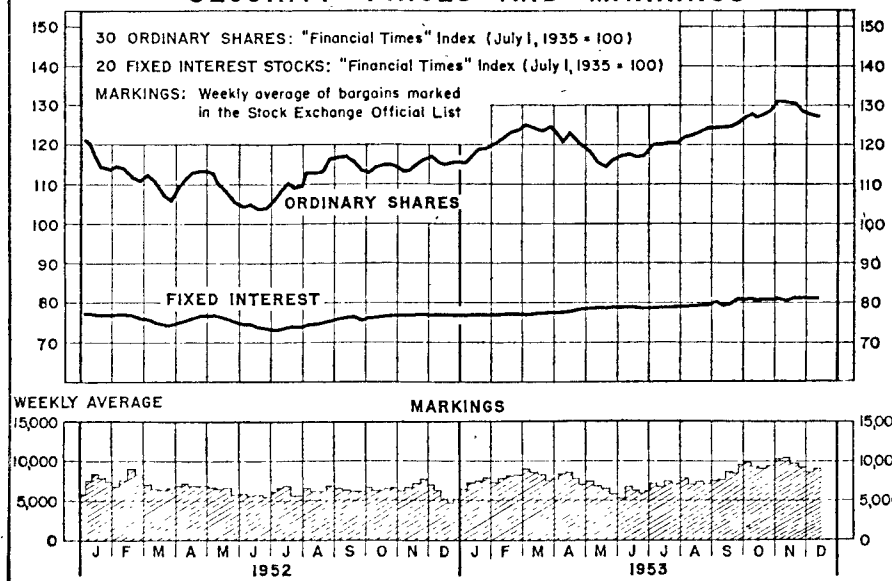
FINANCIAL TIMES INDICES

1953	Security Indices		Yields	
	Ord.*	Fixed Int.†	2½% Cons.	Ord.
Dec. 9....	127.1	112.37	3.88	5.56
" 10....	126.8	112.34	3.89	5.57
" 11....	127.2	112.30	3.90	5.61
" 14....	126.7	112.12	3.91	5.64
" 15....	127.6	112.18	3.91	5.67
" 16....	128.0	112.24	3.90	5.65
1953, High (Nov. 4)	131.5	112.55	Total bargains Dec. 9 8,441	
" Low (May 20)	113.9	105.68	" 10 8,076	
1952, High (Jan. 1)	121.5	106.66	" 11 8,334	
" Low (June 24)	103.1	100.67	" 14 9,536	
			" 15 7,463	
			" 16 7,312	

* July 1, 1935=100.

† 1928=100.

SECURITY PRICES AND MARKINGS



LONDON ACTIVE SECURITIES

Prices, 1953 Jan. 1 to Dec. 16		BRITISH FUNDS AND GUARANTEED STOCKS		Price, Dec. 9, 1953	Price, Dec. 16, 1953	Yield, Dec. 16, 1953	Gross Yield, Dec. 16, 1953	Prices, 1953 Jan. 1 to Dec. 16		Last Two Dividends (a) (b) (c)	ORDINARY STOCKS		Price, Dec. 9, 1953	Price, Dec. 16, 1953	Yield, Dec. 16, 1953
High	Low							High	Low						
100 1/2	99 3/4	War Bonds 2 1/2% '52-54...	100 1/2	100 1/2	100 1/2	0 18 8	2 1 4	47/6	32/3	12 1/2	STEEL & ENGINEERING		42/3	42/3	7 2 0
100 1/2	99 3/4	Exchequer 2 1/2% 1955	100 1/2	100 1/2	100 1/2	1 7 3	2 15 5	55/4	45/3	15 1/2	5 a B.S.A. £1		14/6	14/3	6 10 6
102 1/2	99 3/4	Exchequer 3% 1960	102 1/2	102 1/2	102 1/2	1 13 4	3 0 5	25/4	23/10	10 1/2	5 a Guest Keen N'hold £1		49/6	49/-	6 2 5
100 1/2	99 3/4	Exchequer 3% '62-63	99 3/4	99 3/4	99 3/4	1 4 7	2 2 0	52/-	44/6	12 1/2	United Steel £1		24/4	24/7	6 2 5
99 3/4	98 3/4	Serial Funding 1 1/2% 1954	99 3/4	99 3/4	99 3/4	1 6 7	2 7 5	34/-	21/4	7 1/2	2 1/2 a Vickers £1		49/6	49/-	6 2 5
99 3/4	98 3/4	Serial Funding 2 1/2% 1957	99 3/4	99 3/4	99 3/4	0 18 5	2 6 7	28/9	21/4	12	4 a Bradford Dyers £1		30/-	29/6	7 9 2
101 1/2	100 3/4	War Bonds 2 1/2% 1955	101 1/2	101 1/2	101 1/2	1 2 7	2 7 11	49/9	41/4	7 1/2	6 a Brit. Celanese 10/-		23/9	24/6	6 10 7
100 3/4	99 3/4	Funding 2 1/2% '52-57	100 3/4	100 3/4	100 3/4	1 6 2	2 10 11	50/9	37/3	6 1/2	5 a Coats (J. & P.) £1		47/-	49/-	5 2 0
101 1/2	99 3/4	Nat. Def. 3% '54-58	101 1/2	101 1/2	101 1/2	1 8 8	2 15 1	53/9	38/6	10 1/2	6 1/2 a Courtaulds £1		44/6	50/6	5 10 11
102 1/2	99 3/4	War Loan 3% '55-59	102 1/2	102 1/2	102 1/2	1 7 1	2 14 9	69/6	49/-	4 1/2	5 a Lancs. Cotton £1		52/3	53/6	5 12 2
97 1/2	91 1/2	Savings Bonds 3% '55-65	97 1/2	97 1/2	97 1/2	1 19 10	3 8 5	44/6	36/6	7 1/2	16 b Patons & Baldwins £1		67/6	66/3	6 0 9
97 1/2	91 1/2	Funding 2 1/2% '56-61	97 1/2	97 1/2	97 1/2	1 14 7	2 18 0	40/10	33/3	10 1/2	ELECTRICAL		39/-	38/3	5 4 7
92 1/2	86 1/2	Funding 3% '59-69	92 1/2	92 1/2	92 1/2	2 5 7	3 14 4	46/-	36/6	3 1/2	5 a English Elect. £1		39/4	37/6	5 6 8
95 3/4	87 1/2	Funding 3% '66-68	95 3/4	95 3/4	95 3/4	2 2 7	3 11 6	40/8	34/-	10 1/2	7 1/2 a General Elect. £1		40/-	38/9	5 16 2
102 1/2	98 3/4	Funding 4% '60-90	102 1/2	102 1/2	102 1/2	2 1 2	3 17 10	46/-	36/6	3 1/2	MOTOR & AIRCRAFT				
91 1/2	85 1/2	Savings Bonds 3% '60-70	91 1/2	91 1/2	91 1/2	2 6 6	3 15 10	19/6	15/6	6 1/2	3 1/2 a Bristol Aero 10/-		17/9	17/9	5 11 3
84 1/2	78 1/2	Savings Bonds 2 1/2% '64-67	84 1/2	84 1/2	84 1/2	2 5 6	3 9 8	7/7 1/2	5/8 1/2	4 1/2	6 1/2 a British Motor 5/-		6/6	6/4	4 8 8
103 1/2	100 3/4	Victory 4% '20-76	103 1/2	103 1/2	103 1/2	2 1 1	3 17 9	37/3	35/10	15 1/2	7 1/2 a De Havilland £1		27/9	27/9	5 8 1
89 1/2	82 1/2	Savings Bonds 3% '65-75	89 1/2	89 1/2	89 1/2	2 6 11	3 16 8	37/3	35/10	15 1/2	15 a Ford Motor £1		35/9	35/7 1/2	4 4 2
95 3/4	86 1/2	Consols 4% aft. Feb. '57	95 3/4	95 3/4	95 3/4	2 6 10	4 5 10	50/6	36/6	6 1/2	9 b Hawker Siddeley £1		47/9	49/3	6 1 10
86 1/2	77 1/2	Conv. 3 1/2% aft. April '61	86 1/2	86 1/2	86 1/2	2 5 2	4 2 5	32/-	24/-	2 1/2	25 a Leyland Motors £1		85/-	85/-	5 17 8
65 1/2	57 1/2	Treas. 2 1/2% aft. April '55	65 1/2	65 1/2	65 1/2	2 3 4	3 19 0	58/6	46/3	10 1/2	8 b Raleigh Ind. £1		30/-	30/-	6 13 4
76 1/2	67 1/2	Treas. 3% aft. April '66	76 1/2	76 1/2	76 1/2	2 4 4	4 0 11	7/3	5/3 1/2	12 1/2	5 a Rolls Royce £1		66/3	67/6	4 8 11
94 1/2	87 1/2	Treas. 3 1/2% '77-80	94 1/2	94 1/2	94 1/2	2 6 0	3 19 1	23/3	19/-	20 1/2	12 a Standard Motor 5/-		5/9	5/9	10 8 8
94 1/2	87 1/2	Treas. 3 1/2% '79-81	94 1/2	94 1/2	94 1/2	2 5 5	3 19 1	38/9	16/6 1/2	12 1/2	SHOPS & STORES				
86 1/2	76 1/2	Redemption 3% '86-96	86 1/2	86 1/2	86 1/2	2 4 5	3 15 1	103/-	45/3	17 1/2	5 a Boots Pure Drug 5/-		21/9	21/9	4 11 11
87 1/2	77 1/2	War L'n 3 1/2% aft. Dec. '52	87 1/2	87 1/2	87 1/2	2 5 6	4 2 10	46/3	35/6	35 1/2	12 1/2 a Debenhams 4/-		31/6	32/-	6 5 0
65 1/2	58 1/2	Consols 2 1/2%	65 1/2	65 1/2	65 1/2	2 3 0	3 18 1	103/-	45/3	17 1/2	5 a Lyons (J.) "A" £1		91/3	91/3	4 18 1
89 1/2	83 1/2	Br. Elec. 3% '68-73	89 1/2	89 1/2	89 1/2	2 7 6	3 16 11	64/9	44/3	55 1/2	20 a Marks & Spen. "A" 5/-		70/6	70/6	3 18 7
82 1/2	74 1/2	Br. Elec. 5% '74-77	82 1/2	82 1/2	82 1/2	2 6 6	3 16 2	44/3	34/3	34/3	20 a Woolworth 5/-		64/6	64/-	4 5 11
103 1/2	99 3/4	Br. Elec. 4 1/2% '74-79	103 1/2	103 1/2	103 1/2	2 3 3	4 1 6	44/3	34/3	34/3	5 a Anglo-Iranian £1		8 1/2	8 1/2	4 4 11
94 1/2	88 1/2	Br. Elec. 3 1/2% '76-79	94 1/2	94 1/2	94 1/2	2 5 2	3 18 2	44/3	34/3	34/3	2 1/2 a Burmah Oil £1		56/3	58 1/4	5 3 3
86 1/2	76 1/2	Br. Trans. 3% '78-88	86 1/2	86 1/2	86 1/2	2 6 5	3 16 7	44/3	34/3	34/3	12 1/2 a Royal Dutch 100 fl.		134 1/2	134 1/2	4 7 9
89 1/2	83 1/2	Br. Trans. 3% '68-73	89 1/2	89 1/2	89 1/2	2 7 7	3 17 0	44/3	34/3	34/3	10 1/2 a Shell Reg. £1		96/3	96/10 1/2	5 12 4
101 1/2	95 1/2	Br. Trans. 4% '72-77	101 1/2	101 1/2	101 1/2	2 3 6	3 19 5	44/3	34/3	34/3	15 1/2 a Trinidad L. holds 5/-		34/3	34/9	5 4 8
86 1/2	76 1/2	Br. Gas 3% '80-95	86 1/2	86 1/2	86 1/2	2 4 0	3 14 4	44/3	34/3	34/3	SHIPPING				
96 1/2	91 1/2	Br. Gas 3 1/2% '69-71	96 1/2	96 1/2	96 1/2	2 4 0	3 17 0	44/3	34/3	34/3	2 1/2 a Cunard £1		36/-	36/-	8 6 8
101 1/2	98 1/2	Br. Gas 4% '69-72	101 1/2	101 1/2	101 1/2	2 3 10	4 0 6	44/3	34/3	34/3	6 a P. & O. Def. £1		63/-	62/6	6 8 0

(e) To earliest date. (f) Flat yield. (g) To latest date. (h) Net yields are calculated after allowing for tax at 9s. 6d. in £. * Ex dividend. † Assumed average life 12 years approximately.

Prices, 1953 Jan. 1 to Dec. 16		TRUSTEE STOCKS AND FOREIGN BONDS		Price, Dec. 9, 1953	Price, Dec. 16, 1953	Yield, Dec. 16, 1953
High	Low					
88 1/2	81 1/2	92	84 1/2	Aust. 3 1/2% '65-69	91 1/2	91 1/2
92 1/2	86 1/2	95 1/2	91	N. Zealand 3 1/2% '62-65	95	95 1/2
98 1/2	89 1/2	99 1/2	93 1/2	S. Africa 3 1/2% '54-59	98	97 1/2
68	60 1/2	73 1/2	66 1/2	L.C.C. 3% aft. 1920	73	72 1/2
91	84 1/2	95 1/2	90 1/2	Liverpool 3% '54-64	95 1/2	95 1/2
91 1/2	85 1/2	93 1/2	88 1/2	P.L.A. 3 1/2% '66-71	93	93 1/2
103 1/2	97 1/2	104 1/2	101 1/2	Agrie. Mort. 5% '59-89	102	102
13 1/2	5 1/2	21 1/2	66 1/2	Austria 4 1/2% '34-59	75 1/2	75 1/2
68 1/2	43 1/2	70 1/2	49 1/2	Chinese 5% 1913	13 1/2	13 1/2
82 1/2	45 1/2	97 1/2	65 1/2	German 5%	67 1/2	67 1/2
143 1/2	103 1/2	139 1/2	119 1/2	German 4 1/2%	94 1/2	94 1/2
				Japan 5% 1907	134 1/2	134 1/2

Prices, 1953 Jan. 1 to Dec. 16		Last Two Dividends (a) (b) (c)		ORDINARY STOCKS		Price, Dec. 9, 1953	Price, Dec. 16, 1953	Yield, Dec. 16, 1953
High	Low							
45/8	36/4	%	%	BANKS & DISCOUNT				
60/1 1/2	46/3	7 a	6 a	Barclays "B" £1	44/6	45/-	4 8 11	
80/-	64/-	8 b	6 b	Lloyds "A" £5, £1 pd.	57/6	57/6	4 3 6	
77/6	59/3	8 1/2 b	8 1/2 a	Midland £1, fully pd.	79/-	78/6	4 1 6	
87/6	70/-	9 b	8 1/2 b	N. Prov. "B" £5, £1 pd.	77/-	76/6	4 8 11	
91/3	67/6	10 b	7 1/2 a	Westminster £4, £1 pd.	86/6	86/6	4 3 3	
55/-	41/4 1/2	5 b	5 a	Alexanders £2, £1 pd.	89/-	89/-	3 18 8	
49/9	39/-	5 b	5 a	Nat. Disc. "B" £1	54/6	54/6	3 13 5	
40/-	32/3	4 a	4 a	Union Disc. £1	45/6	46/-	4 6 11	
49/-	39/3	9 b	7 a	Barc. (D.C. & O.) "A" £1	38/-	38/-	4 4 3	
				Chart. Bk. of India £1	42/6	42/6	6 11 9	
9 1/2	7 1/2	85 b	50 a	Leg. & Gen. £1, 5/- pd.	9 1/2	9 1/2	3 14 0	
22 1/2	17 1/2	40 1/2 b	20 1/2 a	Pearl £1, fully pd.	21 1/2	21 1/2	5 0 4	
39 1/2	32 1/2	100 1/2 c	105 1/2 c	Prudential "A" £1	37 1/2	37 1/2	5 1 2	
131/6	114/9	10 a	33 b	Bass £1	126/10 1/2	125/7 1/2	6 16 11	
18/4 1/2	15/9 1/2	7 1/2 a	15 b	Distillers 4/-	17/9	17/6	5 2 10	
33/7 1/2	27/-	7 1/2 a	11 b	Guinness 10/-	33/-	31/6	5 14 3	
10/-	7/10 1/2	4 a	8 b	Ind Coope 5/-	8/6	8/-	7 10 0	

† Free of tax. Yield calculated on gross basis. (a) Interim dividend. (b) Final dividend. (c) Whole year's dividend. (d) Yield at 75 1/4% of face value. (e) To earliest date. (f) Flat yield. (g) Includes 2% centenary bonus; yield basis 14%. (h) Also 5% tax free cash bonus; yield basis 18.6%. (i) 12% paid for 9 months; yield basis 16%. (j) Also 5% Coronation bonus, not included in yield. (k) Yield basis 14%, as forecast by Company. (l) To latest date. (m) Yield basis 10% after capital bonus. (n) Yield basis 11 1/2% after capital bonus. (p) Also 5% net capital distribution, not included in yield. (q) Yield basis 20%. (r) Yield basis 15% after capital bonus. (s) Yield basis 15 1/2%, as forecast by Company. (t) Yield basis 19.7% gross. (u) Yield basis 30%. (v) Yield basis 7 1/2%. (w) Also 2 1/2% tax free out of capital profit, not included in yield.

New York Closing Prices

Dec. 9	Dec. 16	Dec. 9	Dec. 16	Dec. 9	Dec. 16
20 1/2	20 1/2	30	29 1/2	Inter. Paper	53 1/2
22 1/2	23	36	36 1/2	Nat. Distill.	18 1/2
19 1/2	19 1/2	20 1/2	19 1/2	Sears Roebuck	61 1/2
17 1/2	17 1/2	61 1/2	61 1/2	Shell	75 1/2
15 1/2	15 1/2	87 1/2	89 1/2	Std. Oil of N.J.	72 1/2
13 1/2	13 1/2	60 1/2	60 1/2	U.S. Steel	39 1/2
5 1/2	5 1/2	52 1/2	53 1/2	Westinghouse	50 1/2
4 1/2	4 1/2	36	35 1/2	Woolworth	43 1/2

Statistics

The following list shows the most recent date on which each statistical page appeared.

BRITISH		OVERSEAS	
Prices and Wages.....	Dec. 5th	Western Europe :	Dec. 5th
Production and Consumption	Dec. 12th	Production and Trade.....	Dec. 12th
Manpower.....	This week	British Commonwealth	Dec. 12th
External Trade.....	Nov. 28th	Western Europe :	
Financial Statistics	This week	Prices and Money Supply	This week
Industrial Profits.....	Oct. 17th	United States	Nov. 28th
		World Trade.....	Oct. 17th

Manpower in Great Britain

	Unit	Monthly averages			1952			1953			
		1950	1951	1952	Sept.	Oct.	Nov.	Aug.	Sept.	Oct.	Nov.
TOTAL MANPOWER (1)											
Working population :											
Total	'000s	22,954	23,228	23,294	23,368	23,371	23,381	23,473	23,483	23,506	...
Men	"	15,678	15,791	15,864	15,904	15,906	15,896	15,918	15,924	15,930	...
Women	"	7,276	7,437	7,430	7,464	7,465	7,485	7,555	7,559	7,576	...
Armed Forces	"	690	827	872	873	873	874	865	864	862	...
Civil employment :											
Total	"	21,993	22,214	22,119	22,152	22,126	22,132	22,320	22,325	22,333	...
Agriculture, forestry and fishing	"	1,161	1,139	1,112	1,127	1,092	1,067	1,117	1,107	1,077	...
Mining and quarrying	"	852	856	875	876	875	875	872	869	866	...
Building and contracting	"	1,434	1,449	1,435	1,434	1,427	1,424	1,452	1,451	1,444	...
Distributive trades	"	2,571	2,600	2,616	2,630	2,636	2,670	2,666	2,660	2,675	...
Public administration	"	1,362	1,350	1,336	1,333	1,332	1,331	1,318	1,318	1,317	...
Manufacturing industries	"	8,510	8,736	8,626	8,654	8,685	8,705	8,799	8,852	8,905	...
CHANGES IN EMPLOYMENT (1)											
Increase or decrease since June, 1950 :											
Employees in engineering(2)	"	...	+ 103	+ 212	+ 214	+ 217	+ 214	+ 206	+ 228	...	...
" " consumer goods industries(2)	"	...	+ 74	- 126	- 104	- 78	- 56	+ 52	+ 71	...	...
UNEMPLOYMENT											
By duration :											
All durations—total	"	314.2	252.9	414.2	389.6	397.9	406.4	293.5	292.0	309.0	322.7
" " —men	"	220.1	161.5	227.8	214.3	228.2	240.0	190.9	184.2	193.6	203.6
" " —women	"	94.1	91.4	186.4	175.3	169.7	166.4	102.6	107.8	115.4	119.1
Temporary or under 2 weeks—men	"	59.2	49.8	87.8	80.2	81.9	78.5	58.0	60.8	63.7	62.0
" " —women	"	35.8	37.7	94.7	84.3	74.4	64.2	39.2	43.8	44.4	41.4
Over 3 weeks—men	"	105.3	73.2	85.9	83.2	88.7	94.5	86.3	80.2	81.4	86.2
" " —women	"	32.5	27.9	50.2	48.7	51.1	53.9	34.9	32.6	36.3	40.4
By industry (1) :											
Textiles	%	0.6	0.8	8.6	7.2	5.0	3.6	1.0	0.9	0.9	0.9
Clothing	"	1.1	1.7	2.9	2.2	1.9	1.7	1.2	1.2	1.2	1.5
Vehicles	"	0.8	0.5	0.7	0.8	0.8	1.0	0.6	0.7	0.6	0.6
Engineering, etc.	"	1.5	1.0	1.4	1.5	1.5	1.6	1.2	1.2	1.2	1.2
Coal-mining	"	0.3	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Distributive trades	"	1.2	1.1	1.5	1.5	1.6	1.7	1.2	1.3	1.4	1.4
By regions (1) :											
Great Britain	"	1.5	1.2	2.0	1.9	1.9	2.0	1.4	1.4	1.5	1.5
London and South Eastern	"	1.1	0.9	1.3	1.1	1.4	1.5	1.0	1.0	1.1	1.2
Eastern	"	1.2	0.9	1.3	1.1	1.2	1.4	0.9	0.9	1.0	1.2
Southern	"	1.4	1.1	1.4	1.2	1.5	1.6	1.1	1.1	1.4	1.5
South Western	"	1.4	1.2	1.5	1.4	1.7	1.9	1.3	1.4	1.6	1.8
Midland	"	0.5	0.4	0.9	1.0	0.9	1.0	0.9	0.9	0.8	0.7
North Midland	"	0.6	0.5	1.0	0.9	0.8	0.7	0.6	0.6	0.5	0.6
East and West Ridings	"	0.9	0.9	1.9	1.7	1.5	1.5	1.1	1.1	1.1	1.1
North Western	"	1.6	1.2	3.6	3.6	3.3	3.1	1.8	1.7	1.7	1.8
Northern	"	2.8	2.2	2.6	2.5	2.6	2.6	2.2	2.2	2.2	2.4
Wales	"	3.7	2.7	2.9	2.7	2.9	3.0	2.8	2.7	2.7	2.7
Scotland	"	3.0	2.5	3.3	3.1	3.2	3.4	2.7	2.7	2.7	2.9
VACANCIES											
Unfilled vacancies notified to Employment Exchanges :											
Total	'000s	347	313	230	250	236	228	321	295	282	...
Men	"	190	208	131	154	144	137	172	161	155	...
Women	"	157	105	99	96	92	91	149	134	127	...
DISPUTES (1)											
Workers involved	"	25	32	35	24	22	45	20	22	38	...
Working days lost :	"	116	141	149	104	95	122	55	106	116	...
Total	"	36	29	55	31	46	99	29	25	32	...
Mining and quarrying	"	25	43	66	46	20	11	10	22	23	...
Engineering, etc.	"	55	69	28	27	29	12	16	59	61	...
Other industries and services	"										...

Prices and Money Supply in Western Europe

	Austria	Belgium	Denmark	France	Germany, F.R.	Greece	Ireland	Italy	Netherlands	Norway	Sweden	Turkey
WHOLESALE PRICES ⁽¹⁾ (1948 = 100)												
1938	31	26	44	6	63	0.4	43	2	36	55	52	21
1951	228	121	147	155	159	149	122	103	143	143	140	103
1952	253	114	143	163	165	149	129	97	140	152	148	104
1953	242	106	135	155	159	180	129	96	134	152	140	106
June	239	106	134	154	159	185	128	97	133	152	139	103
July	243	106	131	154	159	190	128	97	133	152	138	103
August	238	106	132	154	159	189	128	96	133	152	138	...
September	238	...	132	153	...	189	...	...	...	153	138	...
October	238	...	132	153	...	189	...	...	...	153	138	...

COST OF LIVING ⁽¹⁾ (1948 = 100)												
1938	31	27	60	6	64	0.4	55	2	49	63	61	29
1951	185	105	119	130	108	139	110	110	130	122	120	103
1952	217	106	123	145	110	146	119	114	130	133	129	109
1953	197	105	...	145	108	159	...	118	129	135	130	113
June	197	105	123	144	108	163	...	116	129	135	130	113
July	199	106	...	143	108	167	126	116	128	136	130	114
August	199	106	...	141	107	...	...	116	129	136	130	114
September	199	106	...	141	107	...	...	116	129	136	130	...
October	200	106	123	141	...	...	...	...	...	...	130	...

IMPORT PRICES ⁽¹⁾ (1948 = 100)												
1938	241	27	40	7	39	...	39	1	24	32	45	21
1951	250	116	133	187	127	...	128	112	131	128	145	91
1952	250	116	130	182	121	...	129	109	131	132	153	91
1953	298	114	...	...	...	...	125	103	117	133	141	88
May	294	107	119	164	105	...	122	101	119	124	...	91
June	294	110	...	...	106	...	123	105	116	119	...	92
July	280	109	...	...	104	...	125	101	118	125	...	90
August	276	...	...	...	103	...	123	100	...	118	...	...
September	281	...	...	...	103	...	123	100	...	118	...	...

EXPORT PRICES ⁽¹⁾ (1948 = 100)												
1938	233	25	40	6	51	...	37	1	25	32	42	24
1951	263	120	109	146	122	...	123	110	115	138	155	128
1952	263	120	114	158	131	...	126	107	117	137	153	122
1953	262	100	...	...	...	...	116	108	108	121	...	111
May	262	100	108	151	124	...	103	108	107	122	...	112
June	256	101	...	...	123	...	123	100	95	124	...	114
July	239	99	...	...	122	...	129	104	97	119	...	142
August	239	100	...	...	121	...	126	106	...	117	...	...
September	228	100	...	...	121	...	126	106	...	117	...	...

CURRENCY IN CIRCULATION ⁽¹⁾												
End of period	'000 mn. schillings	'000 mn. francs	mn. kroner	'000 mn. francs	'000 mn. D. marks	'000 mn. drachmas	mn. £	'000 mn. lire	mn. guilders	mn. kroner	mn. kroner	mn. £T.
1938	7.82	23.6	425	112	...	...	18.2	19	1,048	455	1,040	213
1951	8.79	102.1	1,734	1,883	8.80	2,198	64.3	1,237	3,039	2,530	4,140	1,179
1952	8.79	102.1	1,889	2,124	10.22	2,476	69.9	1,343	3,171	2,787	4,620	1,280
1953	8.91	102.6	1,778	2,142	10.57	2,328	67.4	1,226	3,168	2,755	4,380	1,282
June	9.27	105.1	1,761	2,179	10.79	2,536	67.3	1,260	3,209	2,824	4,140	1,325
July	9.39	104.8	1,729	2,214	10.88	2,769	67.9	1,261	3,228	2,825	4,400	1,413
August	9.39	...	1,750	...	11.03	2,971	68.4	1,280	3,237	2,802	4,430	1,458
September	9.39	...	...	...	...	...	71.0	...	...	...	...	1,513
October	...	...	...	...	...	...	...	...	...	...	...	...

GOLD AND FOREIGN EXCHANGE HOLDINGS ⁽¹⁾ (mn. US dollars)												
1938	...	736	76.7	2,791	...	26.8	59	201	1,003	128.3	512	34
1951	...	1,054	118.2	800	503	3.8	206	1,045	544	149.9	395	217
1952	...	1,077	142.1	676	1,165	9.9	219	910	929	148.3	379	191
1953	...	1,020	141.4	602	1,490	10.5	215	810	1,074	141.5	365	213
June	...	1,035	146.7	579	1,599	10.5	219	849	1,079	146.5	375	210
July	...	1,043	151.3	584	1,685	10.5	218	...	1,093	147.3	388	209
August	...	1,042	164.2	...	1,721	10.5	223	...	1,118	153.0	399	210
September	...	1,058	165.4	...	...	...	232	...	1,138	153.2	411	213
October	...	...	...	...	...	...	...	...	...	...	...	...

(1) Relates only to prices in capital cities for Austria, France, Greece and Turkey. Cost of living in Paris based on 1949=100, and in Western Germany on July-December, 1948=100. (2) Index numbers of unit value which compare the current value of trade with its value in 1948; they are influenced by changes in the composition of trade as well as price movements. Index numbers for Germany based on 1950. (3) Notes only for France and Austria. (4) Holdings of the government and central bank at end of period; figures for Greece are gold reserves only. (5) Average of second quarter.

EXCHEQUER RETURNS

For the week ended December 12th there was an "above-line" deficit (after allowing for Sinking Funds) of £24,119,000 compared with a deficit of £44,569,000 in the previous week and a deficit of £21,976,000 in the corresponding period last year, bringing the cumulative deficit to £432,710,000 (£445,685,000 in 1952-53). Net expenditure "below-line" absorbed £6,758,000, bringing the total cumulative deficit to £721,717,000 (£827,938,000 in 1952-53).

£'000	Estimate, 1953-54	April 1, 1952 to Dec. 13, 1952	April 1, 1953 to Dec. 12, 1953	Week ended Dec. 13, 1952	Week ended Dec. 12, 1953
Ord. Revenue					
Income Tax	1782,250	607,696	583,381	12,510	11,144
Surtax	127,000	46,900	45,200	1,800	1,500
Death Duties	160,000	105,800	114,600	3,500	3,200
Stamps	52,000	34,550	38,500	800	1,400
Profits Tax & E.P.T.	214,000	285,900	140,500	7,160	2,760
Excess Profits Levy	99,500	100	46,450	100	600
Special Contribution	1,000	1,260	670	50	...
Inland Revenue	...	...	...	...	...
Total Inland Rev.	2435,750	1080,206	969,301	25,860	20,744
Customs	1044,300	737,274	752,887	22,420	22,238
Excise	660,460	521,518	518,935	5,050	5,250
Total Customs and Excise	1724,760	1258,792	1271,822	27,470	27,488
Motor Duties	69,000	16,058	17,954	333	124
P.O. (net receipts)	2,685	...	4,500	...	400
Broadcast Licences	16,000	8,250	9,200	...	...
Sundry Loans	25,000	19,747	20,247	...	309
Miscellaneous	95,000	86,084	88,278	1,282	135
Total	4368,215	2469,137	2381,303	54,945	49,200
Ord. Expenditure					
Debt Interest	615,000	412,380	417,643	6,192	6,255
Payments to N. Ireland Exchequer	48,000	27,270	32,029	...	134
Other Cons. Fund	10,000	5,865	5,664	9	...
Supply Services	3586,286	2445,677	2334,661	70,400	66,100
Total	4259,286	2891,192	2789,997	76,601	72,489
Sinking Funds	...	23,630	24,016	320	830

"Above-line" Surplus or Deficit	-445,685	-432,710	-21976	-24119
"Below-line" Net Expenditure	382,253	289,007	8,656	6,758
Total Surplus or Deficit	-827,938	-721,717	-30634	-30877

Net Receipts from:				
Tax Reserve Certificates	114,128	198,867	552	2,422
Savings Certificates	1,000	11,050	1,200	400
Defence Bonds	-39,337	-32,520	-165	267

FLOATING DEBT

		Treasury Bills		Ways and Means Advances		Total Floating Debt
Date		Tender	Tap	Public Depts.	Bank of England	
1952						
Dec. 13	4,616.4	241.0	2.3	...	...	4,859.7
1953						
Sept. 12	3,400.0	1,395.8	251.7	...	...	5,047.5
" 19	3,430.0	1,382.1	280.0	...	...	5,092.2
" 30	4,803.1	273.4	...	...	...	5,076.5
Oct. 10	4,525.8*	245.9	...	...	...	4,771.7*
" 17	4,552.2*	262.2	...	...	...	4,814.3*
" 24	4,550.4*	264.1	...	...	...	4,814.5*
" 31	4,538.1*	254.9	1.3	...	...	4,794.3*
Nov. 7	4,535.2*	250.0	...	...	...	4,785.2*
" 14	4,591.7*	253.9	...	...	...	4,845.5*
" 21	4,604.2*	268.8	...	...	...	4,873.0*
" 28	4,620.5*	254.0	...	...	...	4,875.1*
Dec. 5	4,674.4*	342.5	...	...	...	4,916.9*
" 12	4,726.3*	283.1	2.3	...	...	4,956.7*

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

Financial Statistics

THE MONEY MARKET

LOMBARD STREET has enjoyed yet another comfortable week. The authorities again found it necessary to mop up surplus funds in the market by "reverse selling" of bills nearly every day of the week covered by Wednesday's Bank return; the sole exception was Saturday, when credit supplies were only just adequate. On Wednesday, large Government disbursements made funds so plentiful that the authorities' sales of bills (to both the market and the banks) assumed considerable proportions.

The market again maintained its bid at £99 9s. 6d. for the unchanged total of £250 million of bills on offer at last week's Treasury bill tender. But as total applications fell by £5.5 million, to £368.5 million, the market's allotment again rose—from 55 to 58 per cent. The average rate of discount also rose fractionally, to just under £2 2s.—its highest level since the beginning of October.

The fiduciary issue was raised by a second £50 million, to the record level of £1,675 million, on Wednesday; and the Bank return showed how necessary that increase was. The week's outflow of notes was £34.1 million—apparently the largest for any single week. This brought the active note circulation to the record level of £1,632.1 million. Total withdrawals for Christmas spending have now reached £101 million, compared with less than £96 million in the corresponding weeks of last year. Government securities in the banking department fell by £26.9 million; allowing for the effects of the increase in the fiduciary issue, there was thus an insufficient neutralisation of the currency efflux, so that bankers' deposits dropped by £11.1 million.

LONDON MONEY RATES

Bank rate (from 4%, 17/9/53)	3½	Discount rates	%
Deposit rates (max)	1½	Bank bills: 60 days	2½
Banks	1½	3 months	2½
Discount houses ..	1½	4 months	2½
		6 months	2½-2½
Money—Day-to-day	1½-2½	Fine trade bills:	
Short periods	1½-2½	3 months	3½-4½
Treas. bills	2 months 2½	4 months	3½-4½
	3 months 2½	6 months	4-4½

LONDON CLOSING EXCHANGE RATES</

GLYN, MILLS & CO.

BANKERS

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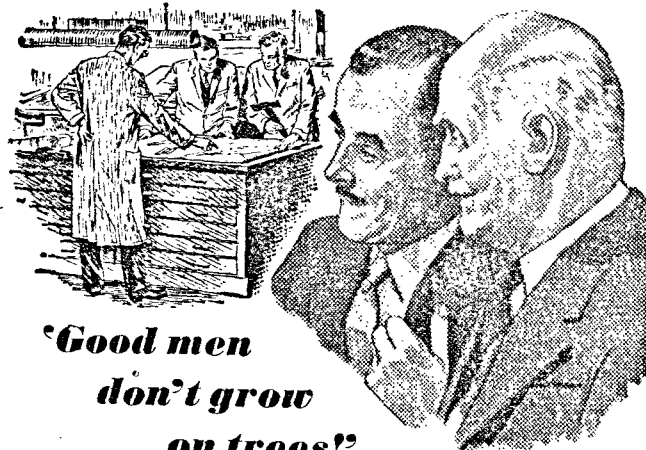
1753



1953

HEAD OFFICE: 67 LOMBARD STREET,
LONDON, E.C.3

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WILLIAMS DEACON'S BANK LTD.



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Total Assets £153,974,000

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Head Office:

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THE UNITED KINGDOM
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Executor and Trustee*

1853



1953

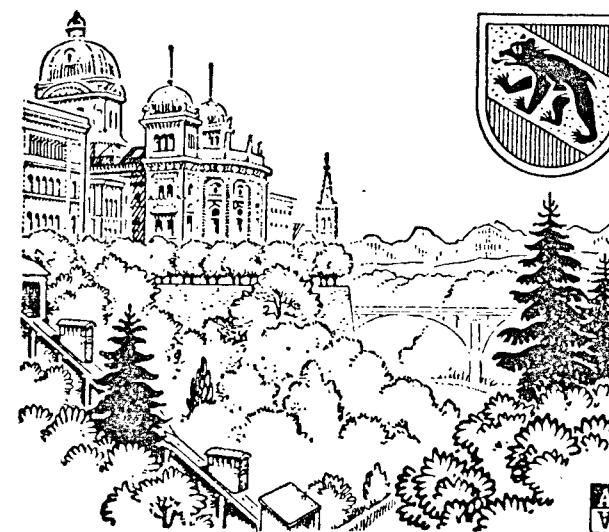
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HEAD OFFICE: ZURICH, Bahnhofstrasse 45

UNION DE BANQUES SUISSES

SCHWEIZERISCHE BANKGESELLSCHAFT

OVER 30 BRANCHES THROUGHOUT SWITZERLAND

Capital, fully paid.....Swiss Francs 80,000,000

ReservesSwiss Francs 60,000,000

Total Assets.....Swiss Francs 2,064,572,934

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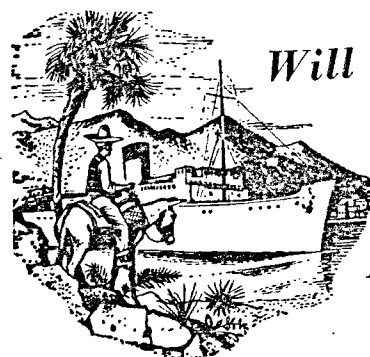


MARTINS BANK LIMITED

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HEAD OFFICE: WATER ST., LIVERPOOL, 2

Total Assets (at 30th June 1953) £347,975,315

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The Research Department (SECTION 34)

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BARBER TEXTILE CORPORATION LIMITED

Year ended 31st July, 1953

Consolidated Accounts show—

Issued Capital	£
£1 Preference Shares 5%	55,000
4/- Ordinary Shares	892,596
Premium on Shares	101,223
Reserves and Undistributed Profits	1,051,643
Surplus (including Net Current Assets £1,179,984 and Government Securities £90,287)	2,100,462
Profits	325,136
Taxation	176,532
Profits (net)	148,604
Dividends (net)	67,864
Paid on Ordinary (subject to Income Tax)	13½%
Increase in Reserves including Undis- tributed Profits	136,318

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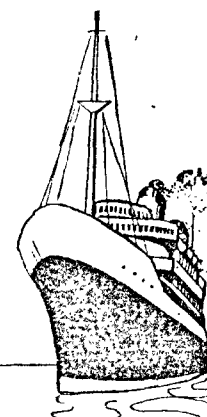


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and other major cities
throughout the country

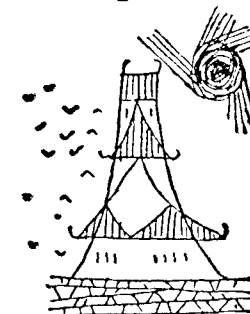
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If It's About
Japan-----

SANWA BANK

(Authorized Foreign Exchange Bank)



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& President: TADAO WATANABE
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General Managers : SIR JOHN MAXWELL ERSKINE, C.B.E., D.L.
IAN WILSON MACDONALD

DOUGLAS MURE WOOD } *Directors.*
HOWARD CUNNINGHAM }
R. Y. WEIR }

£	Dr.	£		Cr.	£
• 95,812	Interim Dividends paid 1st July, 1953, less Tax	100,375			
	Proposed Final Dividends payable 1st January, 1954,		87,829	Balance of Undivided Profit brought forward from last year	100,993
95,812	less Tax	111,925		Profit for the year after payment of all expenses, including Directors' Emoluments, and after providing for bad and doubtful debts, contingencies, and taxation, and writing down the cost of properties	394,346
£191,625		£121,300		<i>Aggregate Directors' Emoluments—</i>	£
75,000	To Contingency Fund	75,000		Fees	8,500
100,000	To Trustees for Officers' Pensions	100,000	379,739	Other Emoluments to Directors with executive duties including contribution to Pension Trust in respect of Pension Rights	20,650
100,993	Balance to next Account	103,039			£30,150
					£467,618
£467,618		£495,339	£467,618		£495,339

AUDITORS' REPORT

EDINBURGH, 19th November, 1935.—We have examined the Books of THE COMMERCIAL BANK OF SCOTLAND LIMITED, kept at the Head Office and the returns from the Branches for the year ended **31st October, 1935**, and have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our Audit. In our opinion proper books of Account have been kept and returns made for the purpose as above stated.

We have checked the Cash at the Head Office, the London Chief Office and the Glasgow Chief Office. We have verified the Money at Call and Short Notice in London and the balancers with other banks.

We have seen the Treasury Bills and Certificates for Government and other Investments.

The above Balance Sheet and Profit and Loss Account are in agreement with the books and Branch Returns. To the best of our information and according to the explanations given to us, the said Balance Sheet and Profit and Loss Account give a true and fair view of the state of the Bank's affairs as at 31st October, 1935. We are accordingly of opinion that on the basis authorised by the Act (1) the Balance Sheet gives a true and fair view of the state of the Bank's affairs as at 31st October, 1935, and (2) the Profit and Loss Account gives a true and fair view of the profit for its financial year ended on that date.

MAURICE CRICHTON, C.A., Auditor.
R. J. HENDERSON, C.A., Auditor.

COMPANY MEETINGS

LORD ROTHERWICK OF TYLNEY'S VIEWS ON SCOTTISH INDUSTRY

Out of the net profits the directors have again allocated £75,000 to contingency fund and £100,000 to the officers' pension fund. The latter fund is separately administered by trustees, and while now substantial, is not from an actuarial viewpoint, sufficient to

meet the bank's obligations under the scheme. The fund has been built up over the years entirely by contributions from the bank, and we know that the staff appreciate the benefits and security which it offers.

DIVIDENDS

For some years the directors hoped that it would be possible to recommend a small increase in the dividend to "A" shareholders, but for various reasons it has not been appropriate to do so until now. I am therefore glad to submit the proposal that a further distribution of 8½ per cent on the "A" shares (making 16 per cent for the year) and 5 per cent on the "B" shares (making 10 per cent for the year), both subject to income tax, be approved.

ACKNOWLEDGMENTS

It would not be appropriate were I to conclude my remarks without referring to the valuable services rendered by all members of the staff, the result of whose efforts are reflected in the report which I have presented to you today, and, on behalf of shareholders and customers alike, I offer them our sincere thanks. There is another matter, however, of which I would like to make special mention. Since 1932, Sir John Erskine has guided the affairs of the Bank with sure and expert knowledge and, in addition to that important task, he has made his knowledge and experience freely available in many directions for the benefit of the community. As you heard a year ago, Sir John has decided to retire from the management at the end of this month, and while I am glad to say that he will continue with us as a member of the board, I am sure you would wish me to give him a special word of thanks for all he has done for the Bank during his long term of office. We shall miss him from his accustomed place from day to day; but we wish him every happiness in the leisure which he is about to enjoy.

It is proposed that the Earl of Mar and Kellie be re-elected Governor; that I be re-elected Deputy Governor, and that the extraordinary directors, whose names appear on the list, be re-elected.

Mr Douglas Mure Wood, the ordinary director, who, by rotation, retires at this time, was 71 years of age in January of this year. Special notice of the intention to propose his re-election has been received by the Bank, and a resolution to that effect will be put to you.

Mr Maurice Crichton, CA, Glasgow, and Mr Ronald J. Henderson, CA, Edinburgh, will, under the provisions of the Companies Act, 1948, continue in office, and a resolution fixing their remuneration will be proposed.

I now move that the report and accounts be adopted, and I shall call upon Mr Robert Y. Weir to second the motion. After that has been done, and before I put the motion to the meeting, any shareholder who desires to make any observations will have an opportunity of doing so.

The report and accounts were adopted and the dividends as recommended were approved.

The retiring directors, as mentioned, were re-elected and the remuneration of the auditors was fixed.

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

*The Company Meetings Department,
The Economist,
22 Ryder Street, S.W.1.*

GLAXO LABORATORIES

INCREASED SALES OFFSET PRICE REDUCTIONS

EXPORT MARKETS AND N.H.S. ECONOMIES

The nineteenth annual general meeting of Glaxo Laboratories Limited was held on Monday, December 14th, in London, Sir Harry Jephcott, MSc, FRIC, PhC (chairman and managing director), presiding. The following are extracts from his circulated review:

At home revenue from sales showed a small increase, price reductions made during the year being more than offset by the greater volume of business.

In export markets progress was seriously affected by import restrictions, more widespread than at any time since the war, and in Brazil our inability to secure payment finally forced us to discontinue shipments. It is clear that at best we shall receive only over a period of years payment for the goods we have supplied to that country. The net decrease in total export business was due not so much to any fall in demand as to the imposition of these restrictions, notably in Australia, Pakistan, Brazil, Argentina and Italy. The effect was mitigated by a reduction of stocks and, over all, sales by our subsidiaries only fell by about 4 per cent.

Competition was thereby intensified in those markets to which restrictions did not apply and, in consequence, not only was the volume of trade affected but prices in general were less favourable. Competition was accentuated by surplus production capacity for antibiotics in North America, and the opening of new plants elsewhere. In some markets substantial quantities of penicillin have been offered on occasion at prices little, if anything, above the bare factory production costs. The combined effect of all these influences was to reduce our trading profit by some £350,000, which was more than offset by changes in provisions for tax.

CHANGING PATTERN OF EXPORT BUSINESS

So long as the prices of primary produce remained high, many countries imported products packed ready for sale. That phase has passed. There is now a widespread resurgence of the desire for local production, which in some countries extends to the encouragement of manufactures that cannot be economically conducted. In short, the pattern of export business is changing and in many instances our future exports will need to be in the form of bulk products for local processing and packing.

We recognise the inevitability of this tendency; consequently, if our goodwill and the demand for our products—built up over a long period at great effort and expense—are to be preserved, we must undertake overseas as much manufacturing as can be conducted with efficiency and practicability. Already we have manufacturing facilities in Argentina, Australia, India, Italy and New Zealand. Similar facilities are now being provided in Brazil, Pakistan and South Africa, with a considerable extension of our factory in Australia.

N.H.S. PROBLEMS

In the overall cost of the National Health Service the payment to drug manufacturers is one of the smallest items, representing no more than 8 per cent of the total. Nevertheless, the Ministry has been subjected to some criticism by the Comptroller and Auditor-General for a suggested failure to secure drugs at the lowest possible price.

It is important that this quest for economy shall not impair the ability of the British pharmaceutical industry to stay in the forefront of research and increase its exports.

Unfortunately, the Ministry of Health has published a list of products classified as ones which "have not been proved of therapeutic value." The Ministry has suggested to doctors that they do not prescribe these preparations; the individual doctor who does may be called upon to justify his action. This has had an effect which was neither foreseen nor intended. Whatever the merits of these drugs, the fact is that medical practice is not uniform throughout the world and in many markets products so listed are in considerable use. In some countries overseas it is a condition precedent to the sale of a preparation that it shall be on sale in the country of origin. The implied criticism inherent in the Ministry's classification can thus prevent the supply of preparations that the doctor abroad requires.

The Ministry is undoubtedly well aware of its responsibility, not merely to supply the drugs that may be ordered by the doctor today, but also to secure that what medical science may call for in the future will be available when needed. This means that the manufacturer must be prepared continuously to undertake research and development expenditure, the outcome of which is uncertain, and the cost of which must be recovered in the price received for his goods.

RESEARCH OBJECTIVES

We continue to expend a large sum each year upon development and research. In part our immediate aim is to improve our existing manufacturing operations, the effect of which is seen relatively quickly. We have once again been able to reduce the price of our antibiotics at home, and to trade not too unfavourably even in the most acutely competitive export markets. The major effort has, however, been directed to long-term objectives—the devising of new and more economic processes for manufacture of known products and the research for entirely new medicinal substances.

During the past two years and more we have expended much effort upon the synthesis of cortisone, at first from ergosterol, then in collaboration with the Medical Research Council from hecogenin. Though both syntheses have been successfully accomplished, in an academic sense, the former was judged unlikely to be of commercial value, while much work remains to be done on the latter before it can be commercially evaluated.

The company's superannuation scheme is a source of general satisfaction, but it affords little protection for dependants if an employee dies prior to retirement. Although it has been customary to assist widows and dependants, the directors now propose a formal scheme to provide them with pensions and assistance related to salary or wages and length of service, and that, as a first step, £50,000 be allocated to this scheme.

It is a pleasure once more to acknowledge the enthusiastic work and the loyalty to the company's ideals and interests of all my colleagues at home and abroad.

CURRENT PROSPECTS

There is no reason to expect that the current financial year will prove any easier

than the last, although recently the relaxation of import restrictions in certain sterling-area countries has given a measure of relief. We are determined to hold our own in every market in which we have a substantial interest, and to increase our efforts in other markets.

Since the beginning of the present financial year there has been some increase in

the volume of export sales, which has approximately compensated for reductions in prices, and I should estimate that, to date, our trading profits, while unlikely to have improved on the past year, have not seriously declined. This relates, however, but to the first three months and, as to what lies ahead of us, I cannot make any predictions.

The report was adopted.

JOSEPH LUCAS (INDUSTRIES) LIMITED

A YEAR OF ACHIEVEMENT

MR A. B. WARING ON WIDENING SCOPE OF ACTIVITIES

The fifty-sixth annual general meeting of Joseph Lucas (Industries), Limited, was held on Monday, December 14th, in Birmingham, the chairman, Mr A. B. Waring, presiding. In his statement to the shareholders he said:

The comparison of the results for 1953 with those for 1952 shows that the consolidated surplus from operations is greater by £58,322, income from other sources has declined by £75,459, the profit retained by subsidiaries is less by £117,773, and the net profit for the year has increased by £100,636.

The additions of profit brought forward from the previous year and also the over-provision for taxation additions make the profit available for appropriation £1,202,850, the comparative figure for the previous year being £1,172,603.

In view of this achievement and after taking into account all other circumstances, the directors recommend a final dividend of 1s. 10d. per share, which with the interim dividend of 4d. per share already paid makes a total distribution of 2s. 2d., or 105/6 per cent on the equity shares.

TAXATION

Taxation continues to be the overriding factor in industrial affairs. Everything has been said that can be said of its many evils and the bad influence it has on the thinking of those responsible for the conduct of manufacturing enterprises. The elimination of Excess Profits Levy will help to lighten the burden, and the company's accounts for next year will carry only five months' liability, which should reduce the charge to less than half of the current year's provision of £585,900 if the profits are maintained.

In spite of the reduction in the rate from 9s. 6d. to 9s. provided in the last Budget the charge for income tax is £430,452 higher than last year. This increase is due mainly to two factors. As from January 1, 1952, profits tax was no longer allowed as a deduction in arriving at the income tax liability, and as from April 1, 1952, Initial Capital Allowances on new buildings, plant and equipment were withdrawn; they were reintroduced on April 15, 1953, and applied to new plant and equipment at half the rate that had prevailed at the earlier date.

BALANCE SHEET FEATURES

The consolidated balance sheet demonstrates a further strengthening of the financial structure of the company. Of particular interest is the increase which has taken place in current assets, which now stand at £30,157,772, an increase of £2,636,011. Current liabilities stand at £11,048,085, an

increase of £941,383. It will be seen that the stock has been reduced by £2½ million. This is the result of a major operation carried out with determination in the factories and warehouses both at home and overseas; in addition to releasing cash unnecessarily tied up, it has eliminated the bad practice of hoarding and the lack of control that had grown up during the many years in which materials were in short supply.

The revenue reserves show a substantial increase. In addition to the provision made in this year's accounts, they have been affected by a credit to the general reserve of £447,714, being an amount arising out of the final settlement with the Inland Revenue for wartime Excess Profits Tax; reference to this settlement, which was then pending, was made in last year's statement. As a result of this settlement the provision of £537,452 for deferred repairs has been transferred to the reserve for buildings, plant and equipment replacements.

MOTOR INDUSTRY

The company's fortunes are tied to those of the motor-vehicle and aircraft industries and fluctuations in either of them have an immediate influence on its affairs. During the financial year the output of cars, commercial vehicles of all types and tractors, increased to 870,715 from 828,909 in the previous year. Cars increased by 16 per cent, whereas commercial vehicles decreased by 4 per cent and tractors by 16 per cent. The output of motor-cycles decreased by 16 per cent and pedal cycles by 24 per cent.

The continuance of the success of the motor industry depends on its ability to export. Its record of achievement as an exporter is quite outstanding, despite a fall of 12½ per cent in the export of cars and over 25 per cent in commercial vehicles and tractors. With overseas sales of £300 million, it is still the largest earner of foreign currency, in spite of the fact that practically every market in the world, with the exception of North America, is affected by some form of import or currency restriction; fortunately for the industry the severe restrictions imposed by Australia in the spring of 1952 have now been substantially relaxed.

During the year foreign competition increased and Germany, France and Italy were all active in the small car field. German exports are expected to increase still further in the forthcoming year. Much encouragement is given to them by their Government by sponsorship of trade organisation abroad, and, where necessary, by the provision of special credit facilities. It is not possible for the individual vehicle manufacturer to break down the trade barriers set up by

foreign Governments and the more difficult markets will be developed by those manufacturers whose Government is most adroit and effective in overseas trade negotiations.

INCREASED ACTIVITY

At the present time the home market in particular is providing much increased activity for the motor trade. The attendance of 613,000 at the recent Motor Show is an indication of the continued intensity of public interest in motor-cars. During the year 232,000 cars were supplied to the home market, which was twice as many as in the previous year and compares with 318,000 in 1937. It would appear that the current rate of increased supplies is meeting current demands, but the advent of a new category of less expensive cars will tap a wider income group. An infinitely wider group would be tapped by a reduction in the annual burden of £375 million of taxation which the users of vehicles are now paying on petrol, licences and purchase tax.

The motor industry is and must continue to be dynamic; the individual manufacturer is always on his toes, otherwise he quickly loses his place to his competitors. He is forever developing new or improved designs to stimulate existing or potential markets. He is cost-conscious to a degree and requires no invoking to improve the methods and economics of production. Since the materials and accessories he buys constitute the major part of the cost of the vehicles he makes, it is inevitable and proper that his suppliers are kept under constant pressure to give better value, and this they must do, otherwise they quickly lose their business. The pressure of events in the motor industry provides at all times a stimulus for all engaged in it.

AIRCRAFT INDUSTRY

The company's sales to the aircraft industry were greater by about 45 per cent, being accelerated by the rearmament programme. They contributed practically the whole of the increased turnover which the Group achieved during the year. Three new aircraft equipment factories at Liverpool, Hemel Hempstead and Toronto became productive and profitable. New service stations are under construction at Montreal and Sydney. Despite the considerable anticipated growth in demands for equipment for civil aircraft, a substantial reduction in activities will be inevitable when the rearmament programme slows down. In anticipation of this event, steps are being taken to fill part of the gap by widening the scope of activities and by adapting to industrial uses some of the products that have been developed for aircraft.

On the aircraft side of the organisation continued success in the future depends entirely on our ability to originate new devices and to develop further those that are in use. The problems to be solved demand the highest possible degree of scientific and technical training on the part of our staff and the full co-operation with the engineering staffs of our customers, with whom we retain the closest relations. On the road vehicle equipment side the urgency is to improve the design of existing devices so that they give better performance, require less service and can be made for a lower production cost. To meet these vital needs the development and research departments continue to be strengthened and additional facilities are being constantly added to those that exist.

Outstanding improvements continue to be made in the methods of production particularly as applied to motor car equipment. All factories are equipped with the most modern machines and a ruthless policy is pursued of replacing plant immediately it is known to have become obsolete.

AIRE WOOL COMPANY

(Woolcombers and Topmakers)

A SATISFACTORY YEAR

The eighteenth annual general meeting of Aire Wool Company, Limited, was held on December 16th at Shipley, Colonel Lord Barnby, CMG, CBE, MVO (the chairman), presiding.

The following is an extract from his circulated statement:

There are submitted herewith for your approval and adoption the report of your directors and the statement of accounts, for your company's financial year ended July 31, 1953:

WOOL POSITION

There are grounds to assume that wool usage is steadily expanding not only in older countries but also in new areas where a rising standard of living creates more buying power. This is not only based on apparel, but also for blankets, felts for paper-making machinery and other machine felts, pile and flat fabrics for furniture, vehicle seatings and entertainment establishments.

The USA still probably remains the determining world factor which can affect wool prices either by its own consumption or its dispersed "Grants in Aid" to many countries. It should be remembered that the population in the USA at 160 million has the highest *per capita* purchasing power in the world. Wool consumption there for the last 18 months has been less *per capita* than immediately postwar. The uncertainty of periodical sale price revisions by the USA Government for the wool of which they become possessed under the "Farm Price Parity" Support programme is most disturbing. It is an impressive illustration of the disadvantage of governments being in business.

WOOL TERMINAL MARKET

The spring of 1953 witnessed the coming into operation of the London Wool Terminal Market. It is too soon to assess what will be its full effect on business here. It must be admitted that the volume of transactions to date exceeds what was generally thought

might be reached. There seems little doubt increasing numbers in the industry and outside are taking interest in its operations. It certainly would seem logical that if wool Futures Markets are to exist and Australian Merino wool is to remain the natural basis for measurement, that on a commodity so largely produced in the sterling area the dominant Futures Market should be in sterling and located in London.

SYNTHETIC FIBRES

Synthetic fibres are becoming more and more of concern to the wool textile industry of the world. Tremendous sums in publicity have already been expended by the large USA chemical companies producing their varied brands of synthetic fibres and are supported by vast turnovers on chemicals, plastics, fertilisers and other products. The general effect is bewilderment in the mind of the retailer who seeks to forecast what his customers may ask for under influence of such advertisements.

FUTURE OUTLOOK

The first quarter of our new trading year promises to be satisfactory. The activity of the worsted spinning industry—our customers—is at full stretch to available labour supply and prospects of continuity appear good. Present wool levels (currently on about pre-Korean levels) may seem high by past comparisons, but it would appear that "world economic climate" is able to make them fit. There are no accumulations, so consumption and production are about in balance. But a somewhat lower price level would help sales at retail and be probably healthier for growers.

Forecasting the possible course of wool values becomes more unpredictable because of Government actions, such as controlling imports by quotas of "exchange" or contingents of import volume or barter arrangements at preferential exchange rates. To this are added the unmeasurable movements of merchandise to behind the Iron Curtain areas, to which China must now be added.

I referred last year to the mischief of "variable" exchange rates. Recently there was significant specific action by the USA against import of Uruguayan tops, which has been effective. These Uruguayan exports are now being deflected to countries which have not yet seen fit to take similar action. There is need for the UK Government to act energetically, as has been most strongly recommended by the British Wool Federation.

TRADE FEDERATIONS

The value of trade federations each year becomes more obvious. The strength of these trade bodies must lie in numerical membership and vigilant support to the officers and committees who so generously give their time in the general interest.

DIRECTORS AND PERSONNEL

During the year we have welcomed to our board Mr F. D. Nickell-Lean. He is intimately acquainted with the wool textile industry and brings with him a wide experience and knowledge of its various branches.

I cannot close without referring to those whose efforts have contributed to these satisfactory results, and I am certain it would be your wish, as it is that of myself and your board, that I take this opportunity of extending to the managing director, Mr R. P. Pitcher, to the directors of our various subsidiary companies and to all other personnel, thanks and appreciation for their loyal service throughout the year.

The report and accounts were adopted.

LAKE VIEW AND STAR

RECORD TONNAGE MILLED

The forty-third annual general meeting of Lake View and Star Limited was held on December 15th in London.

Sir Joseph Ball, KBE, chairman, in the course of his speech said:

The increase in revenue from mining and retreatment operations amounted to £179,978 over the figures for the previous year, and is primarily accounted for by the rise in gold production during the year. Mine working expenditure, including retreatment and development, rose by £196,365, due to further increases in the basic wage and the cost of stores, and to the higher tonnage treated. Your directors recommend the payment of a final dividend of 1s. 6d. per share, less tax, making a total distribution for the year of 2s. 3d. per share, as against 2s. 6d. per share for the previous year.

Development footage for the year at 27,949 feet, shows an increase over the previous year's figures of 4,717 feet. Ore reserves at 3,735,000 tons averaging 4.81 dwt per ton, show an increase of 11,600 tons, and positive and broken ore now accounts for 91.7 per cent of the total reserves.

Tonnage of ore milled during the year increased by 69,598 tons to a record figure of 721,845, averaging 4.9 dwt per ton, a rise of 0.14 dwt on the previous year. Turning to the question of costs, you will see that these were 42s. 4d. per ton milled, a rise of 1s. 5d. on the previous year. The fact that the increase was limited to this relatively small amount, despite further rises during the year in the basic wage and in the cost of stores, was due partly to the higher tonnage milled, and partly to continuous and successful efforts to reduce costs and to increase efficiency. At the Chaffers retreatment plant 522,877 tons of old residues were treated averaging 1.12 dwt per ton at a cost of 3s. 4d. per ton and a profit of £25,464, which includes premium gold sales and copper bullion realisation.

The report and accounts were adopted.

THE LIVERPOOL WAREHOUSING COMPANY

58TH ANNUAL MEETING

CHAIRMAN'S STATEMENT

The fifty-eighth annual general meeting of The Liverpool Warehousing Company, Limited, was held in Liverpool on December 16th.

The following statement by the chairman, Mr W. Milligan, had been circulated to the stockholders with the annual report and accounts:

The trading profit, which is within near reach of last year's figure, will indicate to you that the conditions actually experienced proved rather better than we anticipated. The first half of the year left us with a lot of leeway to make up, but fortunately conditions improved materially during the second half, and incidentally, this demonstrates how cautious one should be in making any forecast regarding future trading prospects.

We are bound to recognise that the business in which we are engaged is extremely sensitive to factors which are unpredictable. There is one prediction, however, I think it is safe to make. If your company keeps abreast of modern requirements by providing first-class warehouse accommodation and attendant services at moderate charges, I firmly believe that its future prospects are entirely favourable. To meet these needs, we have in the course of construction six new warehouses on an island site on the Dock Road in the North end of Liverpool, the loading capacity of the floor area of which will be more than double that of the warehouses they will be superseding. If this development fulfils our expectations, it may be the forerunner of others, but much will obviously depend upon the demand for storage and the availability of the requisite finance.

Mention of finance prompts me to say how difficult it is these days to set aside sums which can be considered adequate to replace warehouses which have outlived their profitable life. While we spend a large sum each year on maintenance in order to keep all our premises in the highest possible state of repair, we should be less than prudent if we failed to recognise that there is a limit to the length of life of even the best of warehouses. The problem is how to provide the cost of replacements.

First and foremost there is the crippling burden of taxation. This year the sum set aside in the profit and loss account for taxation again represents approximately 60 per cent of our profits.

Secondly, there is local rating, which looms up as a close competitor to direct taxation: This year the sum we have been called upon to pay runs into six figures. Increased assessments and poundage together have caused the amount to be more than double what it was in 1945.

Thirdly, we have to bear in mind that the extent to which importers and exporters utilise the facilities offered by the company is dependent upon the maintenance of moderate charges. If warehouse charges are raised beyond a certain level, the business interests concerned will doubtless endeavour to avoid the expense by moving goods direct from the quays and from factory to ship. This is a point the local rating authorities would do well to bear in mind, for we are getting very near to a position where the law of diminishing returns might assert itself.

The profit provided by our subsidiary,

The Sandon Motor & Engineering Company, Limited, this year is substantially reduced owing to a contraction in the business with which it is concerned, and this applies especially to the Tyre Retreading Factory and the Light Engineering Works at Grundy Street. We are hopeful, however, that this will prove to be nothing more than a periodical fluctuation to which businesses of this description are subject. Our plans for the development of this subsidiary by the provision of up-to-date premises and equipment are being speedily fulfilled, and we believe that our new garage and service station opposite the Cotton Exchange will be well supported by the numerous businessmen who bring their cars into the heart of the city.

COTTON STORAGE PLACE

The chairman made the following additional comments on a topical matter:

"Some of you may have noticed in yesterday's papers a report on a meeting at the House of Commons of the standing committee on the Cotton Bill, and that one of the members made a reference to the enormous loss of storage capacity in Liverpool and expressed doubts as to what the merchants would do in future to store their cotton. Having regard to this statement I should like to take this opportunity to say that I see no reason why any fear should be entertained regarding the provision of adequate storage space for cotton in the Liverpool and Manchester warehouses. Our company has over 400 first-class warehouses in commission with a capacity of 2 million bales and we have other premises in the course of construction. I firmly believe that there will be ample space available to meet the immediate and future needs of the industry. I think you will agree with that, gentlemen."

The report was adopted.

SOBRANIE LIMITED

FACTORS AFFECTING RESULTS

The fifteenth annual general meeting of Sobranie, Limited, was held on December 16th, in London, Mr I. Redstone (chairman and managing director) presiding.

The following is an extract from his circulated statement: The figures which I must now present constitute disappointment, since the absence of more favourable results is certainly not for want of trying.

It is my belief that pursuing, as we assiduously do, a policy of market cultivation coupled with maintaining the highest possible quality of cigarette to offer to people able to afford the small difference in price, we shall day by day add to our increasing number of firm customers, and I feel confident that the passage of time will enable us to present more satisfactory figures to our shareholders.

A very substantial cause of our trading decline is to be found in the export markets, but here I think the factors which are at the moment operating to our disadvantage may before long cease to be operative.

The "Cocktail" cigarette, the introduction of which I foreshadowed in my last speech, has been a very real success, and there is no doubt that it has settled down as a very steady selling line.

The fact that we have met with reverses in the present year is not in the view of your directors any reason for deep-seated pessimism, but is, so far as we are concerned, an inducement and a spur to greater efforts in the future.

The report was adopted.

THE PERUVIAN CORPORATION

INCREASED NET SURPLUS

The sixty-third annual general meeting of The Peruvian Corporation, Limited, was held on December 15th, in London, Mr W. H. White (the chairman) presiding.

The following is an extract from his circulated statement:

The gross revenue from railways, steamers and other assets for the year amounted to £3,853,129, as compared with £3,858,927 in the immediately preceding year. At the same time, expenditure advanced from £3,483,527 to £3,579,510, due to increases in salaries, wages, social legislation obligations, and higher costs of some materials. After adding back the fuel oil reserve of £119,264 made last year (no longer required), the net surplus was £392,883 before charging debenture service, which compares with £375,400 in the previous year, ascertained after making the fuel oil reserve.

Two coupons on the corporation's debentures (due October 1, 1947, and April 1, 1948) were paid on April 1, 1953, and October 1, 1953, respectively, which leaves a balance of £555,587 of net revenue to be carried forward under the scheme of arrangement to meet future payments of debenture interest.

During the year under review, Peru has continued its progressive development. The country has enjoyed the advantage of political stability and social order and both State and private activities have continued to advance.

The value of the sol in relation to the £ sterling and the USA dollar remained relatively steady during the year. Our monthly remittance rates have averaged S/43.00 to the £ sterling during the year, as compared with S/39.10 during the previous year. The rate has since fallen, however, to about S/51.00 to the £ sterling.

BOLIVIA

The difficulties in Bolivia, particularly in regard to the provision of foreign exchange, have continued throughout the year. I pointed out last year the vital importance of the production of tin in the economy of Bolivia, and as the price has fallen steadily from \$US1.21½ per pound (which ruled from May, 1952, to March, 1953) to \$US0.85 per pound at the present time, the outlook is not good, especially in view of high production costs.

On May 15, 1953, a Decree changing the official rate of exchange from Bs.169.61 to Bs.537.08 per £ sterling was promulgated, and to meet this devaluation our tariff was increased from June 15, 1953, by 213 per cent in respect of the Peruvian part of the International through traffic, and by 115 per cent on the Bolivian section.

In my speech last year I stated that the Board of Inland Revenue had expressed dissatisfaction with the decision of the Special Commissioners on our successful appeal regarding the method of computing our liability under the social laws of Peru, and had requested the Special Commissioners to state a case for the opinion of the High Court. The case was duly stated and lodged, but I am unable to say when the hearing will take place. In the circumstances, I can say no more.

At the request of the corporation, the committee have extended the duration of the Scheme of Arrangement between the corporation and its debenture holders for a further period of one year expiring December 31, 1954.

The report was adopted.

AIRE WOOL COMPANY, LIMITED

YEAR ENDED JULY 31, 1953

CONSOLIDATED ACCOUNTS SHOW:—		£
NET CURRENT ASSETS (after deducting £100,000 4½% unsecured notes)		1,303,134
PROPERTIES AND EQUIPMENT, with an insured value of £1,270,000		209,144
TRADE INVESTMENTS		141,429
NET WORTH—at book value		1,653,707
ISSUED CAPITAL:—		
Preference Stock 6%—£1 units		100,000
Ordinary Stock—10s. units		225,000
Book value per Ordinary unit—59s. 11d.		325,000
CAPITAL RESERVES		346,191
REVENUE RESERVES		777,026
FUTURE TAXATION		205,490
		1,653,707
PROFIT FOR YEAR		390,118
TAXATION		195,016
		195,102
PROFIT (net)		32,456
DIVIDENDS (net)		25%
PAID ON ORDINARY (subject to income tax)		

STREAM-LINE FILTERS, LIMITED

RECORD TURNOVER

The seventeenth annual general meeting of Stream-Line Filters, Limited, was held on December 14th in London. Mr C. S. Garland, ARCS, BSc, FRIC, MICHEM (chairman and managing director), presided, and in the course of his speech said the accounts for the year to December 31, 1952, record further increases both in turnover and in profits, but your directors would again emphasise that these record results must be regarded as abnormal and it is for this reason that they have described the increased distribution from 20 to 25 per cent as a bonus. They do not consider that the best long-term interests of their shareholders would be served by wide fluctuations in the rate of dividend. Their present policy should admit of regular interim and final dividends.

The year was notable for considerable disturbances in most export markets—restrictions of quotas and of import licences. Your company, which normally exports some 60 per cent of its output, is particularly susceptible to the difficulties arising from foreign countries' shortage of sterling which has greatly reduced the volume of orders coming, for instance, from South American countries, France and Turkey. It also feels the reflected competition which its valued customers—shipbuilders and engine-makers—have experienced resulting in some instances in cancellation and in a general reluctance of foreign buyers to place further orders for long forward deliveries.

The record turnover has to some extent been at the expense of shortening the balance of orders in hand which, however, permits of the quotation of closer delivery dates. The company, as a matter of basic policy, attaches great importance to keeping its delivery promises and to quoting fixed prices abroad. This policy has built up a goodwill which should be of the greatest value in times of difficulty.

HEAVY TAXATION

As regards the results for the year, after making provision for contingencies in regard to the proceeds of certain long-term contracts, the profit on trading of the parent company was £179,571. After adding other income and providing for depreciation and other charges there remained £165,628, of which taxation takes £111,814—over 67 per cent. The profits of the whole group after all charges was £271,474, of which £193,485, or 71 per cent, goes in taxation including £45,150 (23 per cent) for Excess Profits Levy. As pointed out previously, this penalty on enterprise bears with particular hardship on your companies which in the standard years were building up their export trade. It is a relief to know that this impost will affect only one more balance sheet.

As the book figure of the parent company's plant had been reduced to a nominal value, only £2,634 could be written off for depreciation. The estimated present cost of replacement of the group's plant and machinery is more than £100,000 and a further £6,000 has, therefore, been added to the fixed assets replacement reserve, bringing this to £20,000. The addition to contingencies reserve of £4,625, making £24,000, is in respect of our investment in an associated company in France manufacturing our special products, which company also accounts for the increase of £2,572 in trade investments.

For 1953 the turnover has been substantially maintained but with some further reduction of the volume of forward orders. It is impossible at this stage to make any estimate of profits earned except to say that your directors are confident of the ability of

the company to continue to pay reasonable dividends.

Your company enjoys most loyal service from all its staff and employees and the several works of the group can be justly described as "happy ships." Our thanks are due to be recorded to the managers, staffs and workers who have all made their valued contribution to this end.

The report was adopted.

HECTOR WHALING

IMPROVED FINANCIAL POSITION

The twenty-fifth ordinary general meeting of Hector Whaling Limited was held on December 16th in London, Mr R. de B. Trouton (the chairman) presiding.

The chairman, in his circulated review, said that three outstanding changes had taken place during the past year in the affairs of the company and its UK subsidiaries. The first was the repayment by United Whalers Limited of the remaining balance of its preference stock. He was glad that they had been able to exercise that option and thus remove a heavy annual burden at the earliest possible date.

The figure of £6,337,355, representing the cost of their fleet, was some £81,000 below that of the previous year and the commitments for additions to fleet were down by the substantial sum of £675,000 to £225,000. That total reduction of £756,000 was the resultant of several transactions during the year, the most important being the cancellation of their contract to build a 20,000 ton tanker for delivery in 1954. They had acquired three whalecatchers which should bring their catching fleet to a high state of efficiency and should meet most of their replacement requirements.

The last of the changes was the purchase by the company of the entire business and assets of its principal subsidiary United Whalers Limited.

The statement continued: I should like to draw attention to the greatly improved liquid position of the company and its UK subsidiaries which now exists. Our net liquid assets of £1,214,000 exceed capital commitments of £225,000 by approximately £990,000, compared with a corresponding deficit at July 31, 1948, of over £2,500,000, a net improvement of some £3,500,000, of which about £900,000 represents the excess of capital issued by us over capital redemption.

Trading profits of the UK companies fell by some £680,000, as compared with the previous year. The reduction in our whale oil takings was £710,000—a 6 per cent increase in tonnage produced having been heavily outweighed by a drop of £34 per ton in price. We also suffered a decline of £60,000 in sperm oil takings, and tanker freight earnings were more than £400,000 below those of the previous year.

The brighter side of the picture, which we hope may be significant for the future, is that these declines were offset to an extent of approximately £500,000 by increased by-product takings and by savings in operating costs.

Last season "Balaena" made almost 166,000 barrels (about 27,600 tons) of whale and sperm oil. We produced about 4,700 tons of frozen meat, 4,150 tons of meat and liver meals and 130 tons of meat extract. Our income from by-products was almost equal to the record of 1947-48, when a much longer period of operation was permitted.

This year we have sold our entire production of whale oil to the Ministry of Food at £67 10s. per ton. I am glad to say that we have contracted for the sale of practically all our by-products at satisfactory prices.

The report was adopted.

THE STAVELEY COAL AND IRON COMPANY, LIMITED

FUTURE POLICY

MR THOMAS A. MCKENNA'S STATEMENT

The ninetieth annual general meeting of The Staveley Coal and Iron Company, Limited, was held on December 15th, at Sheffield, Mr Thomas A. McKenna, chairman and managing director, presiding.

The following is an extract from his circulated statement:

The gross income of the group amounts to £1,521,113, as compared with £1,141,077 in the previous year. The crippling effect of taxation absorbs no less than £1,010,536 out of a total earnings of £1,521,113.

The current year's profit attributable to the group is £1,521,113, taxation absorbs approximately 66½ per cent, dividends 27 per cent, and the amount reinvested in the business 6½ per cent. Of our net profit, after taxation, £587,313, dividends absorb 70 per cent, leaving 30 per cent retained in the business. Your directors are again recommending a final dividend of 14 per cent, making a total gross dividend for the year of 22½ per cent, less tax.

DENATIONALISATION OF IRON AND STEEL

Stockholders should be aware that for the past seven years your company has been engaged in the toils of nationalisation, since 1946, in connection with its coal interests, which have already been reviewed, and since 1948 in connection with its iron and chemical interests.

Following the passing of the Iron and Steel Act, 1953, the shares in The Staveley Iron and Chemical Company, Limited, passed from the Iron and Steel Corporation of Great Britain to the Iron and Steel Holding and Realisation Agency on July 13, 1953.

Your directors were then faced with the necessity of making a decision fraught with vivid political, commercial and sentimental aspects: a decision as to whether or not to try to buy The Staveley Iron and Chemical Company from the Holding and Realisation Agency. They have decided not to do so, because, after seven years' experience of the frustration and totally uncreative effort necessarily involved in negotiating compensation for your nationalised interests, they doubt whether it would be in the stockholders' interests to reinvest a very large sum of money in an industry which is specifically threatened with renationalisation.

BONUS ISSUE

Your directors, having considered the future capital requirements and capital structure of the parent company, now recommend a capital dividend to stockholders of £1 in cash, tax free, for each of £1 stock held. At the same time, your directors also recommend the issue to stockholders of one new £1 Ordinary share, credited as fully paid, for each £1 stock held.

It is the intention of your directors to use surplus funds for the development and expansion of your subsidiary companies, and in the acquisition of other companies, both at home and abroad, where prudently and profitably possible, and where the experience and knowledge of the Staveley organisation can be constructively used.

The report and accounts were adopted.

At a subsequent extraordinary general meeting, resolutions for the bonus share issue, as mentioned, were approved.

JOHN HOLROYD & COMPANY

RETURN TO MORE NORMAL TRADING CONDITIONS

The fifty-first annual general meeting of John Holroyd & Company Limited was held on December 17th at Milnrow, Lancashire, Mr E. O. Liebert (the chairman) presiding.

The following is an extract from his circulated address:

I do not doubt that shareholders will be pleased at the results that we have been able to show for the past year, for in my speech last year I gave you warning that the outlook was uncertain, due to the falling off in demand for engineering products. It is safe to say that the fine results we have been able to achieve have been largely due to a very full order book at the beginning of the year, for during the year our output was a good deal higher than our intake of orders, and unless there is an immediate change there is no doubt that our production will decline, with a resultant adverse effect on our results for the current year. I have always tried to give you a fair and unbiased opinion on the outlook, and my remarks above are not intended to cast gloom and despondency amongst you, but rather to let you know that we appreciate the position as it now is.

You may be confident that we shall do all we can to safeguard our position should we indeed be running into a period of more difficult trade.

It has been quite extraordinary in the past year how conditions have changed, for this time last year our production was still being held up by shortages in one direction or another, either of raw materials or of bought-out components. All this has changed and the only shortages now are of orders, which may or may not be due in some degree to many of our customers having overbought, thereby being in a position to work off accumulated stocks, as up to a point we ourselves have been doing for some time. I feel, however, that buyers will again have to come into the market, and indeed during the last month or so there has been some improvement in the order position.

EXPORT TRADE

Last year I mentioned our export trade and I am pleased to say that we have been able to make further progress for several new overseas agents have been appointed, and further visits have been made abroad by your directors. As a consequence, I am confident that our export business should steadily expand.

We have also concluded the purchase of yet another subsidiary company, and this, too, we hope will add some revenue during the current year.

I know that you will wish me to say how much you appreciate the efforts that have been made by all the employees of the parent company as well as the subsidiaries, and you will be pleased to know that everyone will benefit to a greater extent than previously by an increase in the distribution of our Profit Sharing Scheme.

We have again placed £50,000 to plant replacement reserve, making that reserve £300,000. It is your directors' view that whilst this might not now be absolutely necessary (prices are more stable than they were) it is a cautious move, for the cost of new plant is extremely heavy and any success that we may have had has in my view been largely due to the fact that we have always tried to buy the very best and latest equipment available.

THE OUTLOOK

Finally, and to sum up, I feel that we in engineering have, in common with most other British industries, concluded a long period of intense activity and expansion, and that we are now entering upon what might be termed a more normal phase of business activity with keener prices and more competitive and shorter deliveries. I have not the least anxiety in my own mind that, as in the past, we shall be able to hold our own in whatever the future might hold, equipped as we are with the finest plant and manned by the skilled and loyal staff that we have.

During the year, as you know, we doubled our capital by issuing a one-for-one scrip bonus, which, quite naturally, was well received by our shareholders. The doubled capital of £500,000 is considerably less than our reserves and represents less than one-third of the capital and reserves employed in the business of the parent company and its subsidiaries, as shown by the balance sheet. I am mentioning this as the dividend I am about to propose is a modest one expressed as a percentage of such capital, being less than 5 per cent. It is considerably less than the amount left in the business for development and is about one-fifth of the taxation we pay, which, as you may have observed, amounts to over 62 per cent of the group's net profit—and this before charging the £50,000 plant replacement reserve.

The report was adopted.

SECOND INDUSTRIAL TRUST, LIMITED

RECORD REVENUE

MR L. A. STRIDE ON COUNTRY'S SLOW ECONOMIC RECOVERY

The forty-second annual general meeting of Second Industrial Trust, Limited, was held on December 10th in London.

Mr L. A. Stride (the chairman), presided, and in the course of his speech said: Our total gross revenue for the year to September 30, 1953, is £164,082. This is a record figure, but our natural satisfaction at this achievement must be tempered by the knowledge that of the increase of some £14,500 only about £4,000 arises from normal revenue increase the balance being made up of double taxation refunds and arrears of income received during the year. Inevitably our tax liability has increased and after deducting £65,000 on this account the net revenue figure is £8,000 more than last year at £70,306. We recommend on the ordinary stock, a final dividend of 11 per cent, making 16 per cent for the year, as against 14 per cent paid last year. The balance sheet illustrates clearly the continued growth and development of the trust.

The financial year under review has been one of stability, as compared with the crises of recent years. Considerable progress has been made in strengthening the finances of the country, as our slowly increasing gold and dollar reserves indicate.

Much has been done to free industry from the shackles which have hampered it since the war and to enable free enterprise, upon which the prosperity of this country must ultimately depend, to play its proper part in our economic life. Nevertheless, we must be realistic and appreciate the fact that the improvement in our affairs has gone neither fast enough nor far enough to put the country financially out of danger.

We cannot, of course, improve our finan-

cial position unless our exports expand further.

To a great extent we seemed to have overcome our old difficulty of delivery dates only to find we were now being priced out of overseas markets, even out of those which are traditionally buyers of our products.

It is not difficult to understand how this can be when we learn from the President of the Board of Trade that although import prices have fallen by 17 per cent in the last two years, this potentially competitive advantage has been more than absorbed by wage increases during the same period. The strength of the Trust, and consequently its ability to meet successfully whatever the future holds in store for it, has never been greater.

The report was adopted.

THE ROVER COMPANY LIMITED

PRICE REDUCTIONS—BUT QUALITY FIRST

The fifty-eighth annual general meeting of The Rover Company Limited was held on December 11th in Birmingham. Mr H. Howe Graham, FCA (Deputy Chairman), presided in the absence through indisposition of the chairman, Mr E. Ransom Harrison, FSAA.

The following is an extract from the chairman's statement, which had been circulated with the report and accounts:

I am pleased to report another successful year's trading. Our turnover, both in value and in the number of vehicles sold, shows an increase over last year's record figures. Export business has been maintained and constitutes well over half of our total turnover.

We are continuing our work on the development of gas turbine engines for motor-cars and for industrial purposes, and expect to commence production of a small engine of this type for industrial uses shortly. The development of the gas turbine car has not yet reached a stage at which production on a commercial scale is practicable.

On September 23rd last we announced our new season's programme for the home market, together with an all-round reduction in prices. The 1954 range of Rover cars includes two new models, the "90" and the "60," besides the existing "75." All three models are cheaper than last season's "75"—the retail price of the "75" itself, including purchase tax, has been reduced by £85. The new standard Land-Rover incorporates many improvements, and its price in the home market has also been reduced; in addition we have introduced a larger version of this vehicle, the Land-Rover Pick-Up Truck. In making these price reductions we have not in any way lowered our standards of materials or workmanship; we shall continue our policy of putting quality first.

The surplus on trading and management fees for the year of £1,416,407 is slightly higher than last year's figure. The amount required for taxation is £875,003. There is a net profit for the period of £369,626, as compared with £313,300 last year, and there is a total amount of £470,812 available for disposal, out of which the directors recommend the payment of a dividend of 2s. per share, less tax, and the transfer of £200,000 to general reserve and £10,000 to pensions reserve, leaving a balance to carry forward to next year's account of £100,327.

The report was adopted.

S. SMITH & SONS (ENGLAND)

RECORD SALES

The annual general meeting of S. Smith & Sons (England) Limited was held on December 15th at Cricklewood Works, London, N.W., Mr Ralph Gordon-Smith, chairman and managing director, presiding.

The chairman reported that the group profit before tax amounted to £1,678,000 as against £1,248,000 last year and, after deducting the very substantial provision necessary for taxation, the net profit was £566,000 for taxation, the net profit was £566,000 compared with £434,000. To this must be added £254,000 for items relating to previous years, which compares with £182,000 last year. With the settlement of wartime taxation problems, credits of this magnitude in respect of previous years would be unlikely in the future. The improvement in profit for the year resulted, in the main, from increased sales in all major sections of the business and also from the more efficient employment of factories. The total sales for the group were easily a record.

KELVIN & HUGHES GROUP

The separate accounts of the Kelvin & Hughes group showed a consolidated net profit after taxation of £160,000. Since the end of the financial year the company had arranged to acquire from the outside shareholders in Kelvin & Hughes, Limited, the outstanding 47 per cent of its ordinary share capital in exchange for an issue of ordinary shares in the company.

The board recommended a final dividend of 12½ per cent on the ordinary shares, making, with the interim dividend paid, 15 per cent for the year, against a total of 12½ per cent last year. Application had been made to the CIC for consent to capitalise part of the reserves in paying up new ordinary shares to be issued to the ordinary shareholders in the proportion of 3 new shares for every 5 held.

The chairman said that after the first few months of the year the demand from the vehicle producer customers of the company increased, and was still being maintained at a high level. Great credit was due to the motor accessory division in meeting the demands made on it. The year had shown continued improvements in the division's efficiency both in production and organisation, but the directors still considered that it was necessary to invest large sums, both at Cricklewood and Witney, in order to achieve production layouts and methods necessary to assist the British motor industry in its world struggle for markets, by producing at the very lowest cost.

The clock and watch division's products had been progressively improved and were, today, widely recognised as ranking with the leading lines in their particular fields in the world. The de luxe jewelled lever watches produced at Cheltenham were gaining a high reputation and had been associated with many successes during the year.

AVIATION AND INDUSTRIAL INSTRUMENTS

Smiths aviation division was now benefiting by the company's expansion programme completed a year ago and the progress achieved during the year was more substantial than in any previous year in its history. The division was well served and well equipped to meet the exacting demands of the aeroplane and engine designers in the fields of both civil and military aeronautics.

Smiths industrial instruments had again had a successful year. One outstanding success was the award of a very large con-

tract for Smiths-Stones electric railway speedometers. New outlets for this division's products were being explored continuously.

The output of Kelvin & Hughes Limited, showed a substantial increase over the previous year's record making a total increase of 70 per cent during the last two years. Bearing in mind the complicated nature and high quality of the equipment manufactured, this was a remarkable effort.

The chairman reported that the group's total sales for the present financial year showed a satisfactory increase over the corresponding period in the previous year.

The report and accounts were adopted.

HEENAN & FROUDE, LIMITED

INCREASED OUTPUT

MR CHARLES L. HILL'S STATEMENT

The fifty-first annual general meeting of Heenan and Froude, Limited, was held on December 17th, at Worcester, Mr Charles L. Hill, chairman, presiding.

The following are extracts from his statement circulated with the report and accounts for the year to August 29, 1953:

The group net profit, before taxation, amounting to £367,113 shows a fall from the comparative figure of £394,003 last year. After providing £213,788 for taxation against £249,449 last year and allowing for minor adjustments the net profit of the group is £154,628 compared with £144,515. The cash position of the group shows a welcome improvement, the bank overdrafts having been reduced from last year's £268,159 to £90,086 and bank balances and cash increased from £29,009 to £86,038.

The output of the group during the financial year was in excess of the previous year, but rising costs of manufacture have reduced profit margins. The days when standard prices could be amended to take account of wage and material increases, without affecting the flow of orders, are now well in the past and it is the view of your board that a long period of stabilised costs of manufacture is needed if we are to hold our own in world markets.

COMPETITION

Although the orders on the books of the group at the year-end were some £900,000 less than at the same time last year the balance stood at about £4,400,000: in the four years to 1952 demand for the group's main products was exceptional and the fall from the peak figures emphasises the definite trend towards more difficult trading conditions in competitive world markets, where price and delivery dates must not be less favourable than those of foreign manufacturers if the orders are to be secured. Delivery dates have improved during the past year and no orders are being lost on this account, but on the price question it is only too clear that it will be difficult to maintain the volume of sales even at the existing price level; if manufacturing costs continue to rise and force prices yet higher we shall be priced right out of the world markets and that would help no one except foreign manufacturers.

The group's net earnings before taxation are at a modest rate of well under 10 per cent and this is a slender margin, particularly after the essential needs of the future are provided for by way of reserves, out of which to pay higher wages which sooner or later also means paying more for materials, more

to subcontractors and more for establishment charges.

PAST YEAR'S ACTIVITIES

Reviewing the year's activities, the Engine Test Plant section has successfully overcome the problems of designing test plant to match the ever-increasing power and speed of jet engines and gas turbines. The most notable achievement was the installation of a number of plants for testing the Avon and other leading jet engines, and the design and accuracy of these plants has further enhanced the company's reputation. Two wind tunnel plants for testing piston engines were also completed by the end of the year and have since been put into service. In the standard ranges, a large number of dynamometers—hydraulic, dynamatic and electric—were delivered to many parts of the world for the testing of a great variety of engines of powers ranging from 5 h.p. to 15,000 h.p.

Orders for the Heenan Eddy-Current Couplings were not so numerous as in the previous year, although many new applications were developed. These couplings, which provide variable and controllable speeds from a constant-speed motor, have been applied to a wide range of industries as, for example, to the textile industry in this country and to the cane sugar industry in Mauritius, in both cases effecting a 10 per cent increase in production.

As foreshadowed in last year's report, orders in the Industrial Cooler section have not been maintained at the exceptional level, although they are still being received at a rate which is not unsatisfactory.

The effect of overseas competition has been more apparent in the Automatic Machine section than in any other part of the company's business.

In the Municipal Engineering Division new contracts for refuse disposal and utilisation plants, incinerators and baling presses have maintained the balance of orders. Many new schemes prepared for local authorities are of a magnitude which augurs well for the future.

Taken together, the subsidiary companies have had a good year and contributed about two-thirds of the group net profits.

In addition to the production of a continually increasing range of all kinds of hydraulic presses and equipment for various purposes, both large and small, *Fielding & Platt, Limited*, has, during the year, delivered the first few presses incorporating the latest developments for the extrusion of metals.

Court Works, Limited, specialists in malleable and grey iron castings, avoided the recession in the foundry industry and had a record year.

The company's subsidiary in the locomotive industry, *W. G. Bagnall, Limited*, also had a record year of output.

Industrial Waste Eliminators, Limited, has improved upon last year's record profit and maintained a high rate of deliveries of its abattoir and ancillary equipment.

The trading of *Morton Machine Company, Limited*, has followed the previous year's pattern, with its main production lines, bakery machinery, representing about one-half of total sales.

The profits of *Associated Locomotive Equipment, Limited*, were less than last year due mainly to the complete cessation of business with Argentina.

Two years ago your company acquired 49 per cent of the issued share capital of *British Organic Products, Limited*, and before the end of the year under review this was increased to 51 per cent, thus giving the company a controlling interest.

The report and accounts were adopted.

BIRMID INDUSTRIES

SATISFACTORY RESULTS

The annual general meeting of Birmid Industries, Limited, was held on December 16th at Birmingham, The Rt Hon Lord Burghley, KCMG, chairman, presiding.

The following is an extract from his statement circulated with the report and accounts for the year to July 31, 1953:

In my address last year I stated that the position had changed since July of that year, and incoming orders, together with cancellations, rather pointed to the fact that the results for the year ending July 31, 1953, might not be so favourable as for the year then under review.

Fortunately, the position changed for the better and, consequently, the fall in the profit is not quite so large as was, for a time, anticipated. Having regard to all the difficulties encountered during the year, your directors consider the results to be very satisfactory.

DIVIDEND AND BONUS

The total capital employed now amounts to £6,185,638. The proposed dividend and bonus of 12½ per cent, less tax, as against 11½ per cent, less tax, paid for the previous year, is only equal to 4.84 per cent (gross) on the capital employed. Capital and revenue reserves exceed the capital issued by £3,788,138.

The total capital expenditure envisaged during the next few years is in the region of at least £1,500,000. In a group such as yours it is necessary when considering matters of this kind to take long views and, as far as possible, be sure that there are sufficient financial resources to take advantage of the opportunities for expansion of business and also for the installation of the most up-to-date plant.

The charge for taxation at £1,055,055 is in excess of the net profit, £550,987, by over £500,000. After allowing for the credit in respect of surplus taxation of previous periods, the total payable to HM Government amounts to £982,784, as against the proposed dividend of £164,828, or a ratio of six to one.

PRODUCTION AND SALES

Last year I foreshadowed a falling off in the rate of order intake. This feature in fact continued during much of the financial year, and was reflected in a fall of nearly 10 per cent in the aggregate value of sales for the group companies.

From about December, 1952, to April, 1953, the automobile industry suffered some setback, due partly to import restrictions in some overseas markets, and partly to doubts as to the forthcoming Budget proposals affecting purchase tax. Also the reduction in the rate of some parts of the rearmament programme, together with the extension of the completion periods, lessened the demand made upon your companies. Thus it became necessary throughout the group to reduce staffs and working hours appreciably.

At the present time the demand for your companies' products is more encouraging and I hope may continue steady.

Every general wage increase unrelated to production inevitably increases living costs. Thus we have the paradox of the present 15 per cent wage increase claim "to meet increased living costs," which in fact must inevitably entail an increase in living costs. It is to be regretted that apparently certain of the trade unions still do not accept that such stable conditions are as much in their interests as anyone else's.

The report was adopted.

ATKINSON-OATES MOTORS LIMITED

(Incorporated in the Union of South Africa)

OUTSTANDINGLY SOUND POSITION

MR A. R. CALLOW ON A VERY SATISFACTORY YEAR

The twenty-fifth ordinary general meeting of Atkinson-Oates Motors Limited was held on December 4th at 701 Atkinson House, 47 Strand Street, Cape Town, Mr A. R. Callow (chairman of the board) presiding.

The following is an extract from his circulated review: The company enjoyed a very satisfactory year and the results are fully up to expectations. The net profit before taxation amounted to £838,657 which is slightly lower than the previous year.

The dividend has been maintained at 80 per cent, which must be a source of satisfaction to shareholders in view of the very difficult times through which we are passing. It is the intention of your directors to stabilise dividends as far as reasonably possible and at the same time to strengthen the company against any contingencies which may arise in the future.

In accordance with this policy, your directors considered it prudent to transfer £300,000 from the accumulated profits to reserve fund which account now stands in the books of the company at £1 million.

I have to report that since the end of the financial year a tender has been accepted for the erection of a building on the site we acquired in Pretoria. It is anticipated that the building will take twelve months to construct at an approximate cost of £125,000. The requirements of a modern motor business have been incorporated in this building which will be occupied by Sydney Clow and Company, Limited.

It had been planned to start the building of our proposed assembly plant at Elsie's River, Cape, early next year. Owing, however, to the fact that the present exchange position does not permit of the importation of capital equipment we have reluctantly been compelled to defer our plans until such time as the necessary exchange is available.

Our cash resources of £1,564,581 may seem unduly high to shareholders but with our commitments for taxation, dividends and the building project mentioned, considerable inroads will be made in this figure. Surplus funds are invested whenever practicable and help to augment our income.

The company is in an outstandingly sound position as all stocks and other assets are fully paid for and the landed property is unencumbered. Our current liabilities, apart from taxation and dividends, are relatively small and we can look forward to the future with justifiable confidence.

Referring to the prospects for the current financial year, I might mention that there does not appear to be any likelihood of the control of exchange being relaxed. In view of this, we cannot increase our imports of stock as our currency allocation will not exceed that of the year under review. With limited supplies no difficulty will be experienced in disposing profitably of all new vehicles imported as a strong demand still exists for the lines we represent. In addition, our parts departments and workshops continue to show good progress and used cars find a steady market. Summing up our position I have every confidence that it will be possible to maintain a satisfactory level of turnover and profits during the current financial year. The report and accounts were adopted.

LINES BROS., LIMITED

EXTENSION OF ACTIVITIES

The thirty-fifth annual general meeting of Lines Bros., Limited, was held on December 15th in London, Mr Walter Lines, chairman and joint managing director, presiding.

The following is an extract from his circulated statement:

At the end of 1952 the cost of our main raw materials showed a welcome downward trend, which, together with some economies in methods of manufacture, was passed on to our customers, as is our normal policy. Unfortunately, in a few months this trend was reversed and labour charges also increased. A tendency for the costs of packing materials—so vital to export business—to fall was reversed later in the year. Apart from these factors, we suffered what seems to be the normal annual increase in the cost per cent to our products of electricity, coal, gas, water, freight, and local rates, about which we can do nothing. To add to the effect of these items, the buyers made up their minds that there would be a reduction in purchase tax when the Chancellor opened his Budget, and decided they would not be caught this time with stocks on which they had paid a higher rate of tax. On Budget Day, April 14th, the Chancellor duly made the reduction—from 33½ to 25 per cent—instead of on January 1st, in spite of representations made to him by almost every section of industry. The result of this delay was deplorable, for manufacturers, who must endeavour to keep their staffs fully and, therefore, economically employed, soon filled up all available storage space, and were compelled to reduce instead of increase production on which so much depends. We decided, and I am sure rightly, to stick to our reduced selling prices. These factors affected the first half of the year under review, and although by the end of June we had succeeded in maintaining the money value of our sales, and actually considerably increased our bulk sales, the final trading profits were somewhat lower. We had, and have in hand a large programme of improved layouts and installations of new plant which we feel sure will help us to take care of increased costs. The effect of these improvements was not felt in the year under review. Since the beginning of our new financial year there has been a large increase in sales as compared with the corresponding period last year.

NEW ACQUISITION

In the early part of 1953 I visited South Africa, which before 1940 had been our best export market but which has, since 1951, for currency reasons, imposed an embargo on the import of toys. On my return I recommended the purchase outright of an operating company, with factory, plant, and land at Johannesburg, with the name of Jabula (Zulu for "happy"), which has for some years been making a limited range of metal toys, helped no doubt by the embargo on imports. This is the largest toy factory in South Africa.

Export trade has recently shown considerable improvement following the setback due to embargoes and other trade barriers, and we have been hard put to it to execute all the trade offered for immediate delivery. Our design and development building has been very fully occupied with many new and attractive articles which we are sure will be in great demand.

With the coming into production of new lines and the improvements we have been making in our manufacturing methods, we look forward with confidence to a steady growth of profitable trade.

The report and accounts were adopted and the dividend on the ordinary shares of 8d. per share, less income tax, was approved.

GOODE DURRANT & MURRAY LIMITED

SATISFACTORY YEAR'S TRADING

GROWING CLIENTÈLE IN WORLD MARKETS

The fifty-fifth annual general meeting of Goode Durrant & Murray Limited was held on December 17th at 197 Great Portland Street, London, W.1, Mr Lewis A. Kemp (the chairman) presiding.

The following is the statement by the chairman which had been circulated with the report and accounts:

It is with much pleasure that I place before you your company's results for the year ended July 20, 1953.

These are not quite up to last year, due to the prudent necessity of adequate provision against loss in respect of frozen currency in Brazil, which has prevented us from showing a very satisfactory result. Even so, the final figures, arrived at after a difficult year in overseas trading, can be regarded as by no means unsatisfactory. Your directors are satisfied that the position has been consolidated. Market conditions are more stable, dated. Surplus stocks have been absorbed, and losses have been ascertained and met. In general, restrictions on imports are being relaxed, and turnover, by volume as distinct from value, is improving.

RÉSUMÉ OF MARKETS

AUSTRALIA: I am not attempting to quote statistics regarding the wool clip, wheat, and other primary products, but confine myself to pronouncing the simple fact that the income from these sources is the life-blood of Australian economy, and I am glad to report that the primary industries throughout the Commonwealth are in a healthy condition, and finding ready markets for their products at profitable prices. Secondary industry is striving to meet the demand for goods. Our trading stocks have been reduced, as a result of which our liabilities to bankers in Australia have been brought back to normal. Reduction in stocks, through import restrictions, was responsible for some shortages and lack of balance, which has now been rectified. The margin of profit we are allowed to make is limited and working expenses continue to rise. Our woollen mill has recovered and has aggregate orders in hand to ensure full activity. The erection of the oil refinery at Kwinana in Western Australia is attracting other industrial development as well as population. Although the rise in wages has been stemmed, costs of manufacture are high and must cause some anxiety to manufacturers. The inflationary tendency is worrying to the business community generally.

NEW ZEALAND: Difficulties of payment have been overcome, and increased exchange is now available. Stocks have been reduced, and demand for new goods is very keen. Primary products are in world demand, and are being disposed of at satisfactory prices.

WEST INDIES: Our trade in this area has been very satisfactory, and there is an increasing demand for goods by our customers.

AFRICA: In the Union of South Africa trade is buoyant, but there is difficulty in balancing imports with exports and, as a result, there is to be a continuation of quotas for imports, which may have some effect upon our business. Industry is expanding, and the demand for capital continues unabated. In East Africa the Mau-Mau troubles have caused disruption in some areas, but have not affected trade to any marked degree.

The Rhodesias are enjoying prosperity and new industries are springing up. Nyasaland has had a good season, and merchants are active in ordering supplies. Our trade with West Africa is expanding with the progressive development of the territory.

LATIN AMERICA: Our business with this area is completely over-shadowed by Brazil, from which territory no payments have been received for over a year. However, since the date of the balance sheet we have encashed over 25 per cent of our debt and are exploring avenues to secure early remittance of all or part of the remainder held in abeyance by the Brazilian Bank, with a view to avoiding the delay entailed by the Government scheme of payment by instalment spread over several years. The other markets in South America are not very active at this time, but we are still conducting moderate business in certain of the Republics.

MIDDLE EAST AND ASIA: Generally speaking, trading in these countries is adversely affected by political influences, but contacts have been maintained, and business continues active with some of our old customers.

BALANCE SHEET

You will see that our current assets exceed liabilities by £864,936. Your directors are of the opinion that the provisions for doubtful debts are sufficient for any eventuality, and that stocks are soundly valued.

The profit available, amounting to £64,263 after provision for taxation, is sufficient to repeat last year's dividend of 10 per cent and add £19,027 to the carry-forward, which now amounts to £96,160, in addition to £23,451 left in the accounts of subsidiary companies.

During the year we acquired an old-established business of confirming agents and shippers, which will be carried on as a subsidiary company, and expanded as opportunities occur.

Both our United States and South African subsidiaries have contributed to the profit of the group, and we trust that conditions will allow us to extend our business in these spheres.

Trading for the opening months of the current year is encouraging and justifies an opinion of restrained optimism. We are working upon a more solid base, with normal conditions of competitive trading and greater freedom, which should provide opportunities for expanding the company's business on favourable terms. Exports are essential to the United Kingdom, and we have a vital part to play in our capacity as shippers and financiers for our growing clientele in all parts of the world.

The report and accounts were adopted.

HILLS (WEST BROMWICH) LIMITED

The twentieth annual general meeting of Hills (West Bromwich) Limited was held on December 11th at West Bromwich, Mr E. D. Hinchliffe, AMI, Struct. E (deputy chairman and managing director) presided and paid a tribute to the late chairman, Mr R. S. Dyball.

Tribute was paid in the late chairman's circulated statement to the services rendered by the late Mr Manley Cooper, who was for so long connected with the company.

The statement continued: The balance on trading accounts at £190,699 shows an improvement of £48,834. The profit before taxation is £102,677, compared with £73,257 in the previous year. The charge for taxation has increased from £43,268 to £63,882 for the year 1952-53.

Our existing order book is of such magnitude that your company can operate in its field of school construction for at least two years at not less than its present rate of production.

The advantages of Hills system of dry-built construction for single- and multi-storey building is becoming increasingly appreciated: many types of development structures have already been completed, including factories, canteens, office blocks and various forms of social amenity buildings. It is anticipated that the volume of work from these sources will make a substantial contribution to output.

In addition to Pakistan and Canada, a very marked interest is being shown in your company's products by overseas countries. I think it is not unreasonable to hope that the results for the current year at least will equal those now under review.

The report was adopted.

KEYSTONE KNITTING MILLS (1928)

VERY SATISFACTORY PROGRESS

The twenty-fifth ordinary general meeting of Keystone Knitting Mills (1928), Limited, was held on December 14th at Elstree.

Mr H. N. Lewis (chairman and managing director) presided and in the course of his speech said:

The profits of your company and its subsidiary are £25,547, as compared with a loss of £30,653, representing an improvement of £56,200. These figures are after taxation provisions. Omitting taxation, the improvement is no less than £88,990. I think all will agree that these figures indicate very satisfactory progress.

I will now refer you to the consolidated profit and loss account. For your convenience my figures will be kept to the nearest hundred pounds. The profit on trading for the current year at £198,000 is an increase of £108,800 on the preceding year. In order to achieve this result and be prepared for the competition which is expected to become more severe, it has been necessary to incur additional expenditure. General advertising and other selling schemes have been adopted for the purpose of bringing your company's products before the general public to a greater extent than in past years.

It was decided to recommend that the dividend on the deferred ordinary shares be retained at 5 per cent (less income tax) as last year.

While the company's sales during the year to June 30th last showed reasonable improvement on the total for the preceding year, I am glad to be able to inform you that the total for the five months which have elapsed since that date shows a further gratifying increase.

Sales to the export markets are slightly less than in the corresponding period of the preceding year.

Nylon yarn, which is now the major raw material used in the manufacture of hosiery, is still in extremely short supply and the quantity of nylon hosiery we can produce is restricted only by the raw material available to us.

We are constantly experimenting with new yarns and new fabrics in order to maintain the high reputation which "Keystone" hosiery and lingerie have always enjoyed, and to keep the factory fully employed.

Bearing in mind all relevant circumstances, I can see no reason why the improvement in business which we are experiencing should not continue throughout the current year.

The report was adopted.

THE SCOTTISH AUSTRALIAN COMPANY

PROPOSED NEW ACQUISITION

The annual general meeting of The Scottish Australian Company, Limited, was held on December 10th in London.

Mr J. Norman Eggar (chairman and managing director) presided, and in the course of his speech said: Dealing first of all with the profit and loss account, you will notice that the proceeds from wool and livestock are down by £45,000. Actually, proceeds from wool were down by £62,000 and proceeds from livestock up £17,500. Our wool clip was down by 1,033 bales, three stations—Bowen Downs, Corrella-Warraweenah and Fernlee—having substantially smaller clips. This is the main reason for the reduction in revenue, though the average price per bale realised £3 18s. 5d. more.

Our income from the joint organisation was £44,907; we expect to receive similar sums during the current year and next year. You will notice that taxation absorbs £216,383. We have available for disposal the sum of £179,132 after crediting a taxation adjustment in respect of past years and providing £13,330 for a staff bonus which has been extremely well earned. We are appropriating £100,000 to general revenue reserve, bringing that reserve to £1,300,000. After charging £17,600 for the dividends, less income tax, on the guaranteed preference stocks and £55,000 (net) for the interim and the final dividend of 10 per cent and bonus of 5 per cent, if approved, on the consolidated ordinary stock, we carry forward £157,942, against £151,410 brought in.

As regards the parent company's balance sheet, you will notice an item, "wool realisations in excess of one year's clip carried forward, £247,608." Last year, contrary to our usual custom, we sold most of our Queensland clip in Brisbane instead of bringing it to London. The proceeds for this wool were actually received before the end of the financial year, but it has always been our practice to deal with only one clip from each station yearly, so that the amount referred to had to be carried forward.

You will, I am sure, agree that our balance sheet is a strong one. The pastoral industry must have its setbacks from drought, bush fires and floods, but our interests are widely spread and I feel that our resources will enable us to face the future with confidence.

PROPOSED ACQUISITION

You will expect me to refer to the announcement which appeared in the press on November 11 that this company had offered to acquire the share capital of The New South Wales Land and Agency Company, Limited. That company is engaged in similar pastoral activities to our own. It owns two freehold properties in the north of New South Wales some 75 miles south-west of Texas, and a freehold and two leasehold properties in Queensland. Assuming that the offer is accepted, it will mean that we shall get an addition of some 50,000 to our stock of merino sheep and some 10,000 head of cattle. The transaction will involve an issue of an additional £130,725 consolidated ordinary stock, to which the Treasury has given its consent. Full details are being issued to all stockholders, who will be asked to attend an extraordinary general meeting on January 15, 1954, for the purpose of passing the necessary resolutions. If these are carried, Mr D. R. Jardine, Chairman of the New South Wales Land and Agency Company, Limited, will join the Board of this company.

The report and accounts were adopted.

TOWN TAILORS

STEADY PROGRESS IN ALL SECTIONS

The twenty-third annual general meeting of Town Tailors, Limited, was held on December 14th at Leeds, Mr Hector M. Frazer, chairman and managing director, presiding.

The following is an extract from the chairman's circulated statement for the year to August 1, 1953:

We have made steady progress in all sections during the year. After charging depreciation and all expenses (excluding taxation), our group net profit is £311,777 compared with £264,382 for the previous year, when we had the benefit of £75,000 credited from a special stock contingency reserve.

In 1950 I said that I looked forward to the day when our ordinary shareholders would receive a more adequate reward. During the following year, we were able to increase the dividend by one-sixth and in spite of the severe recession in the tailoring trade, we maintained this increased dividend during last year. Now, I am happy to say that another increase is proposed. Your directors recommend the payment of a final dividend of 16 per cent to the ordinary stockholders which, together with the interim dividend of 12 per cent, makes a total dividend of 28 per cent for the year, against 28 per cent for the previous year on a smaller capital.

For the fifth consecutive year we have decided to recommend a bonus issue to our ordinary stockholders. This will consist of one ordinary stock unit for every six ordinary stock units held. The cost will be £50,000, which we shall take from the reserve accounts. It is proposed to carry forward a balance of £401,111 on the profit and loss account.

FACTORIES AND SHOPS

Our factories are all working to full capacity and no labour hours have been lost by any dispute during the last twelve months. The new factory at Barrow is making steady progress, and we are now building an extension to the Blyth factory.

All Weaver to Wearer shops are profitable, and new branches have been most successful. Additional new premises were opened at Romford, Bournemouth, Boscombe, Glasgow, Hammersmith, Greenock and Whitehaven.

Subsidiary companies have again been of great help. Our mail order department is making good progress and export shows improvement. A new innovation is the export of ready-made clothing; previously we shipped piece goods only.

Always, we try to be in the forefront of new fashions which we feel will be in great demand. By specialising on lines in which we excel, we continue to concentrate on the needs of the majority.

We still lead the field of multiple clothiers in giving better value at considerably lower prices. We propose to continue this policy of a quick turnover of stocks at a lower margin of profit. This assists our customers, reduces our risks and should benefit our stockholders.

In the future, I would recommend that we spend even more money on improvements to try to ensure continued progress and thus safeguard our stockholders' interests in the days of more intense competition, with which we are sure to be faced. For the current financial year, I cannot at the moment visualise many unfavourable factors which will prevent normal progress being made.

The report and accounts were adopted.

At a subsequent extraordinary general meeting the proposed bonus share issue was sanctioned.

CONSOLIDATED GOLD FIELDS OF SOUTH AFRICA, LIMITED

RECORD FIGURES

The annual general meeting of this company was held on December 10th in London.

Mr Robert Annan, chairman, in the course of his speech, said:

Dividends and interest on our investments at £1,226,000 constitute a further record, and continue to reflect the satisfactory development of our important interests in the mines on the Far West Rand and in the production of platinum.

After charging £635,000 for overseas and United Kingdom taxation the net profit for the year is £876,000. With the single exception of last year, this constitutes our highest net profit since 1939.

The mines achieved record figures for tonnage milled and gold produced with a substantial increase in profits. This is principally due to the expansion of operations at West Driefontein. Four of the mines have been included in the scheme for the production of uranium.

The results have been, on the whole, most satisfactory, particularly in the opening of new mines on the property of West Wits and in the Free State.

We have sound reasons for confidence. Our main interest continues to be in the South African gold mining industry, where the expansion which began with the launching of West Witwatersrand Areas twenty-one years ago is bringing into production mines of considerably higher grade than most of those now being worked.

The report was adopted.

LONDON & RHODESIAN MINING & LAND

The annual general meeting of this company was held on December 8th, in London.

Sir Joseph Ball, KBE (chairman and managing director), presided and, in the course of his speech, said: The profit for the year amounted to £98,424. The carry forward at £36,814 is slightly over £2,000 in excess of the corresponding figure last year.

Mining: An important source of income to the company arises from the fees and commissions which we receive as consulting engineers and managers of mines owned by associated companies, such, for example, as the well-known Cam and Motor Mine, and the three mines owned by Coronation Syndicate, Limited, viz.: The Muriel mine, Tebekwe mine and the Arcturus mine. During the last year or two they have all made very substantial progress.

Shortly after the close of the financial year, we received information as to the possibilities of a gold mining property conveniently situated in the Jumbo district. An offer of £80,000 was found to be acceptable, and steps were accordingly taken to form a Southern Rhodesian subsidiary company, with an issued capital of £90,000, to purchase and operate the mine, and the transaction has now been completed.

Ranching: The total profit on our ranching operations during the year under review amounted to £34,596—an increase of approximately £2,100 over the previous year.

Real Estate: The company still held 973,925 acres of land at June 30, 1953, despite the fact that sales during the year totalled 41,643 acres and resulted in a profit of £22,538. The report was adopted.

JOSHUA TETLEY & SON LIMITED

(Brewers and Bottlers)

A YEAR OF PROGRESS

MR F. E. TETLEY ON AN IMPORTANT DEVELOPMENT

The fifty-seventh annual general meeting of Joshua Tetley & Son Limited was held on December 11, 1953, at the Registered Office of the company, The Brewery, Leeds 10, Mr F. E. Tetley, chairman of the company, presiding.

The secretary of the company, Mr R. F. Tetley, read the notice convening the meeting, and Mr W. N. Herald (Messrs Peat, Marwick, Mitchell & Company) read the report of the auditors.

Mr F. E. Tetley referred to the resignation as chairman of Mr C. H. Tetley and to his services to the company over a period of fifty-one years, for nineteen years of which he was chairman.

The chairman then said: Ladies and gentlemen,—The directors' report and statement of accounts having been in your hands for the required time I presume you will agree that we should take them as read. (This was agreed.)

TRADING RESULTS

It falls upon me now to submit for your approval and adoption the accounts and directors' report for the financial year ended September 30, 1953. The company has again made progress with regard to sales and our total income of £6,724,623 shows an increase of £274,000 over the figure for last year. Our income for 1953 has been absorbed in the following manner:

Beer duty	61.4
Taxation	5.4
Materials and production costs (excluding wages)	11.1
Wages, salaries and pension schemes	6.0
General trade expenses	9.6
Depreciation and reserves	3.9
Interest	.9
Dividends (net)	1.7
	100.0

There has again been a certain increase in our expenses and charges and the final result shows that we have a net profit before taxation of £619,000, as against £540,000 last year. Taxation this year has been on a lower scale than last, the rate per £1 being reduced from 12s. 10d. to 11s. 8d., so that we have available for appropriations and dividends a net profit of some £64,000 more than a year ago. We have thought it wise to recommend the payment of the same ordinary dividend as last year—namely 3s. 3d. per £1 of stock, to place £50,000 to the credit of general reserve, bringing its total up to £1,050,000, and to increase the profits carried forward by an amount of £89,543. We have not thought it right to recommend any increase in the dividend in view of the fact that our net current assets have again declined, this time by some £106,000, while our bank overdraft has increased from £87,000 to £171,000. As a matter of interest I can state that over the last seven years the amount we have invested in the business has only exceeded the net dividends paid by the sum of £28,500.

OFFER TO DUNCAN GILMOUR & COMPANY

I am glad to inform you that the discussions between the board of your company

and that of Duncan Gilmour & Company, Limited, have now been satisfactorily completed, with the result that a formal offer is being dispatched tonight to the stockholders of Duncan Gilmour & Company, Limited, of an exchange of stocks of this company for their stocks. The effect of an acceptance of the offer will be that Duncan Gilmour & Company, Limited, will become a wholly owned subsidiary of Tetleys and the present board of Duncan Gilmour will resign. Your directors are confident that if the offer is accepted it will constitute an important development in the history of this company.

I should add that no change in the board of this company is contemplated as a result of this amalgamation, but we shall welcome the co-operation of the executives and administrative staff of the Duncan Gilmour group.

I am advised that it would be improper for me to disclose further details of the proposals at this meeting, but a circular will be dispatched to you tonight setting out details, together with the report of the proceedings at this meeting. You will receive the details at precisely the same time as they are received by the stockholders of Duncan Gilmour.

This circular will also refer to our proposals for raising additional finance and maintaining the balance of the company's capitalisation.

SATISFACTORY SALES IN CURRENT YEAR

Since September 30th sales have been satisfactory and it is anticipated that our malting costs will again be lower in the coming year. Our new drum maltings are expected to be in partial production for some months of next year, though they will not be fully employed until the spring of 1955.

In conclusion, I should like, on behalf of the directors, to thank all the men and women in our employ for the splendid work which they have done for the company during the past year, and I have no doubt that all stockholders would wish to join the directors in this expression of thanks.

I now beg to move that the statement of accounts of the company for the year ended September 30, 1953, as audited, together with the directors' report, be and are hereby approved and adopted, and I will ask Mr M. H. Tetley to second this motion.

The report and accounts were then unanimously adopted, the dividends approved as proposed by the directors and the formal business duly transacted, the proceedings terminating with a vote of thanks to the chairman.

IND COOPE & ALLSOPP, LIMITED

The forty-first annual general meeting of Ind Coope & Allsopp, Limited, was held on December 17th, in London, Col. The Rt Hon Lord Courthope, MC (the chairman), presiding.

The following is an extract from the chairman's circulated statement for the year ended August 31, 1953:

Notwithstanding a small decline in overall output, turnover again increased. This was largely due to a growing demand for Double Diamond and for the better quality Burton beers both on draught and in bottle. There was also increased demand for wines and spirits. As the year has progressed output has tended to improve, and it has during the new financial year been in excess of that of last year.

Last year I told you that the outlook was promising and we have had a record export year, our brewery at Alloa having been continually at full production. This is due not only to the enterprise of those concerned, but to the very great strides made in pro-

ducing a lager beer which the public have adjudged the equal of any continental competitor. Though this is a relatively small side of our business, it is an important contributor to our profit and loss account.

The group trading profit is reduced from £2,703,217 to £2,599,641, notwithstanding an increase of over 2 per cent in overall group turnover. This fall in trading profit results from generally increased costs of distribution and selling and in particular a substantial fall in managed house profits.

The report was adopted and a final dividend of 8 per cent, making 12 per cent for the year, was approved.

WALMSLEYS (BURY) LIMITED

(Manufacturers of Pulp and Paper
Making Machinery and Equipment)

LARGE VOLUME OF WORK IN HAND

The twenty-first annual general meeting of Walmsleys (Bury) Limited was held on December 11th at the Chamber of Commerce Rooms, Silver Street, Bury.

Mr John Wolstenholme (the chairman), who presided, in the course of his speech said: The group profit for the year ended June 30, 1953, before charging taxation, is £376,587, compared with £459,445 for the previous year. This fall in profits before tax is an experience shared by quite a large section of industry, especially the paper and board trade, in the same period of time. I am not alarmed about it. Indeed, if the surge of inflation which had been carrying profits to ever higher levels can continue to be kept under control, all of us, shareholders, employees, customers and management alike, will have cause to be grateful.

After charging all taxation and deducting the proportion of subsidiary companies' profits which are attributable to outside shareholders' interests, the group profit becomes £200,644, compared with last year's figure of £213,826.

Out of the profits £12,000 has been set aside for pensions reserves.

This year a final dividend of 12½ per cent on the ordinary share capital has been proposed for your approval. The net dividends thus require £39,988, leaving £148,656 to be added to the amount brought forward from last year. After these provisions the sum carried forward in the profit and loss account becomes £969,966.

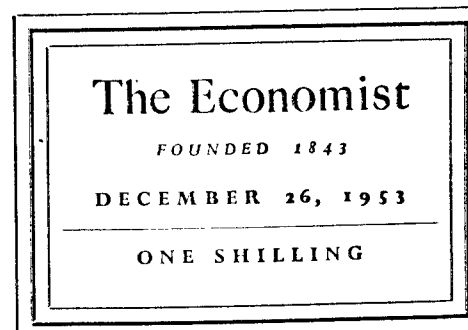
MANUFACTURING PROGRAMME

Several very large contracts are in progress, the completion of which to the customer's requirements call for a strong and sustained effort at every level of the organisation. We have a reasonable confidence in our capacity to meet these calls, at the high level of quality which sustains our reputation.

Very recently we have received complimentary reports of the start up of new machines from the Walmsley Group from countries as distant as New Zealand and Pakistan. We have executed a host of orders for equipment of smaller character. In the year under review there has been a drop in the volume of smaller orders, a reflection of the trading recession to which the paper trade has been so widely subject. The volume of these smaller orders and inquiries has recently shown some signs of revival.

Paper-making machinery has again constituted some 80 per cent of our total work, but our other activities—namely, high-speed engines, mining machinery, rail-cars and mobile cranes have maintained their contribution to our output.

Future prospects depend upon the general



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The Morality of Money

CHRISTMAS is a time for counting blessings. And certainly, in the material sense, the British people have plenty to be thankful for. The country is not only richer than ever before, but quite a lot richer. The annual production of wealth, in real terms, is at least one-fifth larger than it was before the war. Contrary to the almost universal belief, this is not a poor country but a very rich one, and the fact will be attested this week by millions of groaning boards and sagging Christmas trees. Why, then, do we still have economic problems, hibernating perhaps at the moment but certain to re-emerge in the spring? Why, particularly, do we suffer from problems that arise from an inadequacy of production, either of output in general or of particular sorts of output? It can only be because something is wrong with the motive force, the regulator, of the economy. That is money.

Money is sometimes said to have been dethroned. Never was anything less true. People still work for money—not simply and solely for money, but for money infinitely more than anything else (if you doubt it, try to take their money away). And it is money—again not alone, but much more than anything else—that induces them to work at this and not at that. Like petroleum for the internal combustion engine, money provides both the prime mover and the lubricant. Indeed, it is doubtful whether a complex economy, one depending on anything more than the simplest degree of division of labour, could ever be made to function at all except as a money economy. Certainly in this country, such inroads as planners and controllers have made into the money system—monstrous though some of them seem when the attention is concentrated on them—are in the aggregate no more than marginal. Indeed, the socialist experiments in this country have proved how very weak are all the other incentives to economic action in comparison with money. Prohibitions are perhaps a somewhat different matter. You can inhibit a man from some form of economic action by passing a law; you can stop him working or producing by statute. But if any means of inducing him to work, other than paying him money to do so, has yet been discovered, the British Transport Commission urgently desires to hear of it. Not that the offer of money always produces the result; but (save here and there, and for special reasons) nothing else ever does.

But if money has lost very little of its economic power, it has, in this country, lost some of its moral force. For though money in fact still dictates the great mass of economic decisions, large and small, that are taken every day, people are no longer sure that it ought to. And that at once puts sand in the wheels of the economic system. For a free-running and swift-running money economy must be based on the presumption that the possession of money carries with it a moral right of the possessor to spend it—not perhaps in all circumstances, but much more often than not. But that is precisely what so many people nowadays affect to doubt. A very large slice of the national

income is today directly transferred, in cash, from the rich and comfortable, the healthy and the employed to the poor, the infirm, the unemployed and the old. Net incomes are held down to a maximum level which in any other age would have seemed inconceivably low. Socialist politicians admit in public that redistribution can hardly go any further. And yet, after all that, it is still thought that people do not have an unqualified right to spend their net, post-tax, incomes as they choose. Fathers who have paid their share of rates and taxes and have thus helped to pay for schools for everybody else's children are criticised if they choose to spend part of what remains to them in buying for their own children a form of education that they think the best. Although it would cost very little in scarce foreign exchange, any increase in the travel allowance above £50 a year is resisted on the grounds that few people want to spend more than that on foreign travel and therefore those who do so wish can justly be frustrated. Nor is it only the rich whose right to spend their net incomes as they choose is denied. It is true that "no mucking about with the worker's pennies" has become a sacred text. It is true also that nobody attaches the same moral disapprobation to the smoking away of vast sums of dollars that they do to even moderately comfortable holidays on the Riviera (which are an infinitely smaller burden on the economy). But in many other ways even the trade unionist is obviously not trusted with his own money by the gentlemen in Whitehall. A whole apparatus of taxes and subsidies is designed to make him think that he wants a parcel of goods and services significantly different from what he would choose if he were left to himself.

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These restraints upon the power of money have been imposed for all manner of non-moral reasons. But they could not be sustained for a moment if the morality had not gone out of money, at least in part. And, indeed, that it is so is a matter of everyday observation. Even those who have the money, honestly come by, and all taxes paid—are diffident about their right to command anything with it. Wealth no longer preens itself. If it is a matter for pride at all, then the pride must be a very private pride indeed, for in public the prevailing *mores* dictates an attitude of apology for any wealth possessed in excess of the dead average.

Here then is a paradox. The British people desire a quickening of the tempo of their economy. At least, if they do not want it they need it, both to be able to pay their way in the world and also to be able to redeem the pledges they have made to themselves under the ensign of the welfare state. Nothing would more certainly achieve this result than to liberate the main driving force of the economy from some of its shackles and let money do its stuff. Yet to do that would be thought to offend against the moralities—even, in a dim, muddled, public-spirited sort of way, by

many of those who would be the most immediate and obvious gainers. (Everybody, of course, would gain in the long run.) So we are caught in a dilemma between ethics and economics, a split personality on a national scale, pulled one way by all manner of desires for greater material prosperity, and the other way by an undefined feeling that the means of getting it are not quite nice. Such a situation is not even very moral, for we have all the incidental moral disadvantages that flow from a still considerable degree of inequality without reaping more than a fraction of its benefits. A community that was very unequal might excuse itself if it were very rich and growing richer, or one that was stagnant and poor if it were utterly just. But for the halfway course there is little to be said. And if it persists, the results can hardly help but be disastrous—not perhaps tomorrow or the next day, but in the end—for a nation, like a man, cannot prosper for long if it is ashamed of the means by which in fact it makes its living.

One of the matters to which those who understand mass psychology might therefore well direct their thoughts is the means by which (since there is no prospect of getting rid of money as the mainspring of the economy) some of the morality it once possessed can be put back into money. Since incomes have been redistributed about as far as they can be, could not net incomes regain some of their former character as titles, moral as well as economic, to a proportionate share of the flow of wealth? To ask the question is to come up against the difficulty. For incomes are not the only source of expenditure, and not all incomes are earned. This is the poison that has weakened the morality. Even today there is little grudge against wealth, even great wealth, that has manifestly come to its present possessor in consideration of services rendered by him to the community—as witness the well-advertised conspicuous spending of film stars or comedians. The grudge is against wealth that is inherited, or that is earned by reason of a position inherited.

If this poison could be removed. . . . But an argument that starts with the need for sharper incentives and ends up by toying with the idea of still further limiting inheritance has clearly outrun its own wind. It has certainly gone quite far enough for Christmas week. Yet there is food for some very serious thought. Beyond recall, society is now in the hands of the Have Nots. They can perhaps be brought to see that, unless present effort and present enterprise and present success are allowed to have some reward, there will soon be no effort, no enterprise and no success. But will they be brought to see it if the argument is cumbered with the need to reward those whose wealth comes from no effort or success of their own? And if not, which is better, to try to go on running with a motive force that is distrusted—which can lead only to stagnation or to the police state, or to both together—or by some sacrifice of the capitalist gospel to try to dissipate the cloud and make money again effective because it is accepted as a just appraisal as well as an economic force?

Atlantic Assembly

MANY hard things have been said about the Council of Europe's ineffectiveness and about the spirit of frustration that sometimes prevails in Strasbourg. But one thing at least—and there are others—can be said in its defence: it has greatly expanded and deepened the knowledge of Europe's problems and aspirations among the delegates of national parliaments who have gathered there for the last four years. Certainly, the House of Commons talks of Britain's neighbours with greater understanding than it used to; and there have been occasions recently when a good debate in the Consultative Assembly has clarified and steadied opinion about the direction in which member nations should move. The role of Europe has become a commonplace of political discussion, and the democratic statesman who recommends a return to former rivalries and traditional attitudes has now to accompany his remarks with an apology for being old-fashioned. This is all pure gain, but it is not enough. Western Europe, if it is to organise its future in safety and prosperity, needs the harness and the shield of the Atlantic alliance; and the next question for politicians should be how the members of fourteen parliaments and their voters are to become as familiar with the Atlantic idea as they are with the European.

It is a matter in which Britain, with its vital interest in linking North America to the Continent from which its islands must be defended, has a special responsibility for leadership, which has been only slowly and timidly recognised. It was, therefore, a very welcome novelty in the rambling and inconclusive debate on foreign affairs in the House of Commons last week when a Labour member, Mr Denis Healey, put forward his proposal of "some sort of parliamentary assembly for the principal countries of Nato." He declared that public apathy and parliamentary ignorance are the most formidable obstacles to the development of a united and persistent western policy; that United States senators and congressmen are dangerously isolated from their colleagues in other parliaments; and that the motives of American opinion of many major issues are totally misunderstood on this side of the Atlantic. These are all true and important points, to which might be added the view that many members of the House of Commons—sometimes even Ministers—show a lamentable ignorance of what is done at the headquarters of the Atlantic alliance.

The idea that politicians should debate and probe into the affairs of the Atlantic Council and the Supreme Headquarters is far from popular at the Palais Chailot. Indeed, a Norwegian proposal to this end recently received from the Council the kind of welcome that sends an idea scurrying into a pigeon-hole. The military want to maintain the secrecy in which they have worked fast, confidently and well. Officials associate the

presence of politicians with extra work in answering awkward questions. The permanent delegates plead that they are responsible to governments and not to parliaments. The sceptics everywhere point warningly to Strasbourg, where so little is done while so much is said, and proudly to Nato, where so much is done without anything being said. These arguments deserve respect; indeed, they might be conclusive if it could be said that Nato was already supported by a public opinion enlightened and powerful enough to get things done quickly and well. In fact, however, it is being and will be increasingly frustrated by the kind of ignorance that sets allies at odds and makes it difficult for governments to honour commitments.

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Clearly, any attempt to create a legislative assembly, or the semblance of one, would be doomed to failure. Nothing could be more exasperating, both to Nato and to the politicians of member countries, than a struggle by such an assembly to win powers it was never intended to have. Europe has quite enough trouble of this kind on its hands for the moment. Likewise, any discussion in public—and the proceedings must be public to have any value—of Nato's detailed defence and financial plans would be undesirable; security objections apart, it might easily check the present readiness of national governments to communicate to Nato secrets and problems of which parliaments never officially hear. It would be dangerous to debate too often, to summon too many members of parliament from the fourteen nations, to give the assembly power to delay and complicate action. But within these limits it should be possible to bring together, say once a year for two weeks, a group of members of parliament from each country (chosen by parliaments) for debate and informal contact. It would be a new kind of body that would have to develop novel methods of work—like Nato itself.

What other conditions should an Atlantic Assembly fulfil and on what work could it usefully start? First and foremost it should be a body in which Americans and Canadians would be willing to sit; without them its most useful purpose would not be served. There would be resistance to the idea, notably in Canada; but it would be most regrettable if it were thought by Europe that the North Americans were obstructing integration. Again, there must be real equality between members; as Mr Healey pointed out, American representatives must not appear as cross-examiners of Europe. As for the work to be done, it would suffice at first if the politicians were presented by the Atlantic Council with a special report for debate, rather as the OEEC presents

the Strasbourg Assembly with a special report. They could be addressed by the commanders and the experts: much that now goes into unreported press conferences would have much more impact on a meeting of politicians. Such burning questions as Germany's relationship to Nato, America's obligations in Europe, and the economic limits to be imposed on rearmament could be made to lose half their bitterness if they had been debated in a serious and orderly manner at the headquarters of the Atlantic community.

There is a clear danger lest Nato, as at present constituted, become a technocracy of military men and diplomats, remote from public opinion and living in the illusion of achievement that prevails wherever a lot

of intelligent and high-ranking people are gathered together. Britain and, perhaps, the United States and Canada may be quite satisfied with the organisation as yet another expression of their special relationship; it does not disturb them that Nato should be pushed and puffed into a gigantic figure two or three times a year and then left to sag like a breathless Guy Fawkes for the rest. But it does disturb the smaller Governments and it does irritate all those Europeans who feel that their relationship to America, if not that of satellite to sun, lacks intimacy and equality. An Atlantic Assembly, starting life modestly and shrewdly, could contribute greatly to a real understanding of Europe's destiny on both sides of the Atlantic.

The Business of Christmas

CHRISTMAS is bigger business than ever, and some sour people maintain that that is why it continues to exist. As long ago as the 1890s Bernard Shaw was arguing that but for the shopkeepers Christmas would already have died a natural death. Between the wars Mr Aldous Huxley proclaimed that, once consumption had failed to keep pace with the increase in productive capacity, traders successfully promoted the idea that gifts were an essential expression of the Christmas spirit. Today, when the shops are again trying hard to sell goods to customers instead of explaining to them cursorily that they have not enough in stock, there is again a temptation to regard the secular side of Christmas as a commercial creation, a better line of sales talk than Mother's Day or National Dog Week. Fortunately, however, the evidence of history is against those who call humbug on the feast.

In ancient and medieval times the seasonal bulge in consumption at Christmas seems to have been proportionately greater than it is today. Christmas originated in the pagan festivities that took place when the harvest was in and the cattle were slaughtered for the winter; it was a flush season for supplies of meat and other produce, and a flush season for eating them too. Even by the Middle Ages, the only artificial stimulus to Christmas consumption was that the Church prescribed a period of preparatory fasting during Advent. Work ceased during the Twelve Days, the season combined the role of an annual vacation and a winter break, and moralists were given plenty of scope to condemn the drunkenness and gluttony of all classes.

In those days gluttony had little impact on trade. The typical medieval community supplied itself with the food and drink, the decorations, the New Year gifts, and the entertainment that were needed for its full enjoyment. It was only gradually that imported materials used for the plum pudding, the Twelfth cake, the mincepies, and other traditional delicacies began to command a wider market; and that country areas

began to enjoy a seasonal boom in sending food supplies to London and other large towns. By the eighteenth century, for example, there was a highly organised trade in Norfolk geese and turkeys for the London market. It was the custom to walk the birds to town, and one year it is recorded that the turkeys were set to race against the geese for a wager; the turkeys lost by nearly a day—because, it was said, they stopped for sleep at night while the geese snatched sleep on the march.

The geese were not alone in stealing marches at Christmas time while their rivals slept. In 1728 there appeared one of the first recorded newspaper advertisements for a Christmas gift: the "Famous Anodyne Necklaces . . . approved of by the great Dr Chamberlen for Children's teething fits, fevers, convulsions, etc. Note: Her Majesty has always had these Necklaces for her Children." They cost only 48s. a dozen, and were recommended as "Very Proper for a Present at Christmas, or for a New-Year's Gift, For All God-Fathers, God-Mothers, Relations, Friends, and Acquaintances to Give to Children." About this time, too, publishers began to bring out books specially for the Christmas season; among them were "The merry medley, or Christmas-box for gay gallants, etc." (price 3d.) and "A Christmas-box for masters and misses; consisting of stories proper to improve the minds of children" (price 6d.), which were published in 1744. Out of such small beginnings there grew a distinctively English children's literature, the Christmas Books of Dickens and Thackeray, and the Christmas book season of today.

But these first manifestations of Christmas as a children's festival and a time for gifts were straws in a wind that had not really begun to blow. Indeed, in the first half of the nineteenth century Christmas as an institution seems to have been in recession, except as an occasion for eating and drinking. Even for Dickens in the "Christmas Carol" the most important shops at Christmas were the grocers, poulterers and fruiterers, with "everything that was good to eat and in its Christ-

mas dress." Dickens hardly mentions Christmas presents in either the "Carol" or "Pickwick," although the Ghost of Christmas Past shows Scrooge a father laden with toys and gifts, including a fictitious turkey, glued on a wooden platter, which the baby was suspected of swallowing. Other contemporary references suggest that the custom of giving presents, if not in decline, was barely holding its own; and it appears from Home (1827) that the Christmas box system sometimes worked in reverse. Shopkeepers gave presents to their customers; grocers would give packs of cards or raisins to put in the plum pudding; chandlers would give large mould candles. The sluggishness of Christmas trade a hundred years ago appears from Nathaniel Hawthorne's report that on December 20, 1857, the London shops were only beginning to show "some tokens of approaching Christmas; especially the toyshops and the confectioners . . . the former exhibiting Christmas trees, hung with rich and gaudy fruit."

A few years after Hawthorne wrote, Christmas had been transformed. The great Victorian boom was now in full swing; and the children, Santa Claus and those who produced goods for them were among the beneficiaries. But even at this period the spectacular expansion of Christmas trade was due to impersonal forces rather than to commercial acumen or to the infant arts of publicity. The Christmas card, for example, was an oddly belated response to the penny post. It represented the adaptation to modern conditions of the ancient custom of exchanging the season's greetings. After a false start in the forties, when the publishers and stationers missed a wonderful opportunity, it became a sensational vogue in the sixties and seventies; and by the nineties it was estimated that at least 200,000 Christmas card designs had been produced in England alone. The rapidly growing popularity of the Christmas tree from the forties onwards also owed little or nothing to advertisement; but once it was established it created an additional demand for toys, decorations and other articles to hang on the tree. The factories poured out more and more consumer goods suitable for Christmas presents, and a cheap and expeditious parcel post encouraged the development of the custom. Among the pioneers Mr Tom Smith, who began his working life in a confectioner's shop, built a flourishing business upon the crackers which he evolved from the Continental bon-bon. The speciality trade had begun.

By the eighties the boom in a commercial Christmas had reached full spate. London shops were wooing their customers with invitations to choose from "One hundred thousand Christmas presents and New Year's gifts" or "10,000 presents from 5s. to £10"; and business from every part of the globe flowed into the world's greatest market. A report in the nineties spoke of the tons of nuts arriving daily from Asiatic Turkey, of grapes from Belgium, Spain, France, and the

Channel Islands, 100,000 bushels of Canadian apples specially bought for the season, "enormous" supplies of bananas from the Canaries and Madeira ("Few fruits have made more rapid advance than the banana"), and as many as ten million oranges being sold by auction on one day. In 1898, native oysters, a traditional Christmas gift, were being offered as presents in double barrels of 16 dozen for 48s.; and in the same year the housewife could choose between English turkeys from 5s. to 25s. each and turkeys from Ireland, Canada, Austria, Italy, and France at prices from 2s. 3d. upwards. At these prices, and at long last, the Bob Cratchits could join in.

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It would be wrong to suggest that commercial skill did not count in this revival. Competition was keen, and the shopkeepers vied with one another in the splendour of their Christmas bazaars and the number of square inches they took in the advertisement columns. During the twentieth century, of course, the apparatus of publicity has become even more high-powered, but this is a general trend not related specifically to Christmas. It is doubtful if those who assert that Christmas has been over-commercialised have really thought their criticism through. If they mean that less and less attention is being given to the religious aspects of the season, they may or may not be right, but the secular is not synonymous with the commercial. If they mean that the housewife buys things that she used to make at home and that her daughters no longer spend their evenings producing samplers for Christmas presents, they are only saying that Christmas has changed along with the changing times. If they imply that it is only the wiles of advertisers that have transformed the happiest festival of the Christian year into the hugest orgy of family consumption, they have the evidence of two thousand years against them. Last December the larger shops of Britain sold 11 per cent more groceries, 50 per cent more clothing and footwear, 50 per cent more hardware, and 75 per cent more chemists' goods than in the normal month; this December they have no doubt done much the same again. It is in the line of historical tradition, and not in response to some new commercial ramp, that throughout this long week-end the country lies replete.

Next week's issue of *The Economist*
will contain a Special Section devoted to

A Review of 1953

and

**The Economic Outlook
for the New Year**

Our Patience Was Exhausted

December 25, 1954.

LOOKING back, from the vantage point of the last weeks of 1954, at the most memorable events of the year, it is not easy to trace the origins of the extraordinary change that has come over British behaviour in international affairs. Most commentators have fastened upon the notorious episode that took place in Oxbridge at the end of January as the obvious starting-point for their analysis. Yet this was only a flickering match set to tinder that was all too ready to burn. The distinguished Anonymian statesman who spoke in the now famous debate of the Oxbridge university union was undoubtedly seeking to pay a compliment—and a compliment that used to fall repeatedly from the lips of visitors to this country—when he dwelt at length on the British characteristic of restraint in the face of insult. It was unfortunate that his manner of delivery unintentionally gave these observations a patronising, indeed a sneering, sound. It was doubly unfortunate that he had not seen the evening papers, and did not know, as his audience did, that the British legation in Anonymopolis had been stoned and partially burnt by demonstrators that afternoon. But the unprecedented events that followed—the carrying by acclamation of a spontaneously framed resolution to the effect that “this House will fight not only for Queen and Country, but also for the hell of it,” and the forcible immersion of the distinguished visitor in the ornamental pond of one of the oldest Oxbridge colleges—provided convincing evidence of the latent restiveness of the public.

Two points should here be noted. First, in those early days there was no question of any official condonation of, much less support for, such actions. On the contrary, the Government presented the most profuse apologies to Anonymia, and the prosecution of the arrested undergraduates was initiated in a decidedly harsh manner. Foreign observers found something sinister in the promptness with which special excursion trains to Oxbridge were provided when the accused appeared in court there; but there is no reason to suspect British Railways of anything but a praiseworthy attempt to salvage its finances by meeting an undisputably genuine public demand. Indeed, the widespread nature of that demand is the second point to be noted. This cannot be wholly explained by the fact that the historic debate happened to be the first to be televised from a university union. People came from areas still beyond the range of TV to demonstrate in the streets of Oxbridge on an issue that had evidently moved them profoundly; and it was undoubtedly the strength and persistence of the feeling that had been aroused that forced the authorities first to whittle down the charges against the students and finally to abandon the prosecutions altogether.

That, however, was only the first phase. During the confused months that followed, official policy was to evolve in a most striking manner. When the London mob came out in March, with a bellicosity that it had not shown since the Gordon Riots, to sack the Italian and Yugoslav embassies and tourist offices in reaction to the wounding of a number of British soldiers in Trieste, all available police reserves were flung into the struggle to restore order. In the final hours of the rioting even the Horse Guards sentries were ordered from their traditional posts to reinforce the flagging cordons. Admittedly much damage had already been done to the embassies before these extraordinary measures were taken. But to any dispassionate witness it was clear that the authorities, despite the student riots of the previous November 5 in London, had simply been taken altogether by surprise. They were, fortunately, somewhat better prepared when crowds demonstrated outside the French Embassy against the demand of M. Bidault that British divisions should be pledged to remain on the Continent for fifty years.

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However, while one may dismiss summarily the charges of official connivance levelled in respect of the March riots, the same cannot be said of all the events that followed. In May, for example, when two shiploads of Argentine ewe mutton were hurled into the waters of the Pool of London by persons apparently incensed not only by the poor quality of the meat, but also by President Perón's latest assertion of sovereignty over the Falkland Islands, there is ample evidence that the police adopted a benevolent and inactive attitude. The “Wapping Ewe Party,” as the affair is apparently to be named in future history books, may be seen as the turning point. Thereafter, the Government made no real effort to stem the tide of popular indignation, or to penalise individuals who personified it. Neither the Ministry of Health nor the GMC took any action against the dentists who, when a visiting Egyptian politician was stricken by an agonising toothache in London, refused to ease his pain on the specious ground that to do so might be interpreted as an act of political propaganda carried out in the guise of humanitarianism. Authority turned an equally blind eye on the group of retired colonial officials who, ostensibly in protest against alleged Indian intervention in East African affairs, paralysed the work of India House for five weeks by squatting immovably in front of its doorways, day and night, while their ringleaders carried *satyagraha* to the extent of hunger strikes which brought four of them very near (but not quite) to death.

From this position, it was only a short step that brought the Government to adopt, in September, the

so-called Reciprocity Policy. It is difficult to defend all the official actions that have been taken since this new policy was formally proclaimed by the Foreign Secretary. It was, no doubt, perfectly logical to expropriate and nationalise the stocks of carpets held by certain Persian dealers in London and Manchester, and the Government acted very properly in guaranteeing compensation, though there may still be some argument as to the adequacy of the terms offered. Nor can serious objection be made to the new regulations governing entry to this country that were introduced in October—though some degree of malice may be read into the way these regulations were rushed through and applied on the very day that Senator McCarran crossed the Atlantic. (It seems, moreover, that the Senator has little reason to complain of the fact that he is still being detained, in quite comfortable circumstances, on Foulness Island; for he has steadfastly refused to renounce his republican principles, and the logic that forbids the free movement of persons holding such views in a monarchical realm is obvious.) But certain other actions that have been taken during these last three months must excite grave doubts. The summary incarceration in the Tower of two correspondents of East

European news agencies, who have not been accorded the normal facilities to engage defending counsel—who, indeed, have not been seen by any visitor since their arrest—cannot by any form of sophistry be reconciled with the basic principles of British justice. The left-wing press may well be right when it suggests that the two Slav journalists are being “prepared” for an eventual trial, at which they will be induced to make “confessions” of espionage that will brand more than one Opposition leader as having been a secret agent of Moscow since 1919.

This is a most repugnant development. It will be recalled that, in the early months of the year, this journal was among the first to welcome the fact that the British people were at last beginning to do unto others what had been done to them; but it is a very different matter if xenophobia is to be exploited as a weapon of domestic politics. The time has come to call a halt. The events of the year have left their mark abroad; enough has happened to show that the lion's tail can no longer be twisted with impunity. As Sir Winston Churchill remarked, during the debate on the increased Home Office estimates for the police, “what kind of people did they think we were?”

Notes of the Week

Reply to Eisenhower

MR MOLOTOV'S statements are like old artichokes. They have to be stripped down to the innermost leaves before anything tasty is found; and when the patient seeker at last comes to a little succulence amid the oil and vinegar, his joy is sometimes disproportionately great. The statement handed to the American Ambassador in Moscow on Monday is undoubtedly of this character. It is pleasing to have so early a response to President Eisenhower's proposal of December 8th. It is even more pleasing that the Kremlin should now agree to discuss that proposal, which the Communist press at first branded as “the most inane” ever made in regard to atomic energy. But this good news is wrapped up in a mass of verbiage of a much less encouraging nature.

Some of the outer wrappings can be quickly thrown aside; in particular, the long protestations of Soviet goodwill seem to have been written in so hastily that they are not even plausible (how, for example, do Porkkala and Port Arthur square with the claim that Soviet interests do not necessitate military bases in other countries?). But Molotov's message carries a heavier load than this. As in

the case of the Berlin conference, it seems that the Russians, while accepting in principle the invitation to talk privately—which is a step forward—mean to transform what was intended as a limited and practical discussion into a much broader affair. Molotov serves notice that any talks on the Eisenhower plan must be expanded to cover the question of an unconditional pledge by the Great Powers not to use atomic weapons. Yet this Soviet idea of a pledge on paper has been already exhaustively debated publicly and privately at Uno over several years and rejected by the great majority of nations as dangerously ineffective.

That it is now exhumed suggests that the Kremlin has little intention of taking the Eisenhower plan seriously until more is known about it. Compelled to pay lip service to it by the sharp reaction, in countries ranging from France to India, against the first Communist sneers at the plan, Moscow still hopes to divert attention from the President's proposal. It would be premature to take Molotov's statement as meaning that the Russians are likely to permit progress with the Eisenhower plan. On the contrary, they have found again an opportunity to launch the type of negotiation in which they excel—an endless debate on broad issues, starting from extreme positions and untrammelled by any wish to reach a concrete agreement. Once again they have missed the opportunity for a conciliatory gesture.

Suing for Peace

SOME misunderstanding of this technique of negotiation seemed also to underlie the speech made in the House of Commons on Thursday by Mr Kenneth Younger. He suggested that some "very influential people" who distrust the Prime Minister's sallies into diplomacy want to give up the search for four-power agreement and look forward with complete scepticism to a meeting with the Russians. This is a misstatement of a realistic and carefully documented point to which the Labour Party, with a few notable exceptions, appears unable to oppose anything but benevolent sentiment.

Briefly the point of view is this. The Russians have made perfectly clear in their last Note about a four-power meeting how they want Europe to be organised. It is a plan diametrically opposed to that of the West, and is in substance the policy of 1945. That does not necessarily mean that they do not wish to negotiate; but it does mean that they expect the hardest and most fundamental haggling—one day. To this perfectly proper, if rather cold-blooded attitude, Mr Younger and his friends wish—it seems—to oppose the posture of suppliants for peace. They urge that the West, in advance of a conference, should show readiness to make important concessions to the Russians on the main points of difference—for example, the European Defence Community. It does not occur to them that this may make negotiation more, rather than less, difficult. Surely it is clear by now that Soviet statesmen prefer to argue about vital interests from extreme positions.

Because people disagree about tactics it does not follow that they disagree about objectives. Indeed, if the Russians should come to Berlin and reveal a clear desire for real negotiation no one will question the wisdom of taking them seriously. But every attempt to reconsider beforehand the accepted policy of the West offers them the temptation to play for time in the hope of getting better terms. This seems to be understood much more clearly in the United States than in Britain or France.

Molotov Stalls

JANUARY 4TH is less than a fortnight off, and it will be surprising if Molotov now agrees to meet the western foreign ministers in Berlin on that date. There are several good reasons for his wanting a postponement. The first is that Soviet leaders do not like the world to think that they are put into the position of accepting peaceful proposals from the West; it must always appear that the West is forced by its own "peace-loving" public opinion into accepting a suggestion from Moscow. Molotov, of course, may also be hoping that a new French government, led by an opponent of German rearmament, may be in office, if not in real power, later in the year.

There is another reason for stalling that must appeal strongly to the Kremlin. This is the need to appease anti-Communist sentiment in Germany and to organise a pressure group that would demonstrate "the people's will"

as being on the Soviet side, while the ministers argue around the table. In Eastern Germany feverish efforts are being made to this end. The German "Peace Congress" and the "National Front" have been hastily rallied, and a committee is to be set up in East Berlin that will compete with the body of observers set by the Federal Government in Bonn. The chairman of the "National Front" has confessed bitterly that there has been no outburst of rage against Dr Adenauer's policy and, in particular, against the arrival of atomic artillery in Western Germany.

However, no immediate results seem to be expected from these efforts. Indeed, the "National Congress" is being held no earlier than May and will, it is said, "become a milestone on the victorious march towards a united, peace-loving, independent and democratic Germany." January 4, 1954, is clearly too close to June 17, 1953, to suit the Communist book. In the circumstances the western foreign ministers should plan to end the conference with Molotov quickly and in a way that will command the support of the majority of Germans—provided, of course, that the Soviet intention to postpone the meeting or to drag it out is clear beyond dispute.

Parliament Goes Home

PARLIAMENT dispersed for the four weeks' Christmas recess in a somewhat carping mood, but the parties had at least managed to achieve a tepid unity on foreign policy. Much though Labour might have liked to take up an aggressive party position, the eve of a major Foreign Ministers' conference was clearly not an appropriate moment. President Eisenhower's atomic plan, coupled with the paucity of information from Bermuda, further served to dampen down controversy, since the only important diplomatic initiative known to Parliament was one with which all parties obviously agreed. Labour might have liked to make a fuss about the secrecy of the Bermuda talks, but in the Commons debate Sir Winston Churchill managed to divert their fire by an artfully artless disquisition on the merits of secret diplomacy—a singularly audacious move in a debate which was supposed to be solely concerned with the Bermuda conference and its results.

With little new to distract them, MPs were able to devote much of the debate to the irrelevant issue of whether or not Mr Bevan should write for a Cairo newspaper articles described by Lord Reading, with some restraint, as "unhelpful." Defending himself, Mr Bevan built up a mountainous case on a point not seriously in dispute. Lord Vansittart gained little support for the contention that Mr Bevan's action might have been unconstitutional in a Privy Councillor, and Mr Bevan had no difficulty in demolishing that particular theory. What he quite failed to dispel was the widespread feeling that the articles were irresponsible and very different in aim from Sir Winston Churchill's prewar anti-Munich articles, behind which Mr Bevan sought to hide.

But Mr Bevan did not devote all his time to defending his contributions to Egyptian journalism. For many months past he has been credited with a desire to make a front-bench Opposition speech on foreign policy and he was not

going to let slip this fortuitous opportunity. He used it to arouse left-wing emotions by playing on the familiar theme of the "rising nationalism" of Africa and the East. How superficial is this approach Mr Eden later demonstrated in one of his more thoughtful speeches. Needled, no doubt, by the Conservative backbench motion on the Suez base, Mr Eden strove with some success to sketch the middle course that provides some hope of reconciling the legitimate demands of nationalism with the protection of wider international interests.

Reprieve for Juries?

THE first debate on the proposals of the Royal Commission on Capital Punishment took place in the House of Lords last week. One might have expected serious consideration, free from the political emotions of the Commons, of the commission's main recommendation—that juries should have the duty of deciding whether, after a conviction for murder, there are extenuating circumstances to justify the penalty of imprisonment instead of death. Instead, most of the speakers in the debate questioned the very assumption that led to the setting up of the Royal Commission, the assumption that the death penalty ought not to be imposed in cases where it clearly would not be carried out.

Lord Simon, who initiated the motion, and almost all the judges contested the proposition that the law needs altering at all. They applaud its rigidity; they think it proper that the death sentence should automatically be passed in every case of murder—even although some 45 per cent of such sentences are eventually commuted by the Home Secretary—because, for one thing, they consider that the black cap marks the community's disapproval of the crime. The debate therefore hardly turned on the merits of the commission's recommendation at all. The implicit contest, which could not by the terms of the motion be overtly stated, was between the abolitionists—in the persons of Lord Templewood and Lord Chorley—and their opponents, who want to retain the death penalty and even perhaps reduce the number of reprieves. Between them came Lord Jowitt, leader of the Opposition in the Lords, who confessed to being more undecided on the general issue than when he opposed abolition in 1948, but is quite decided that jury discretion is unworkable; and the Lord Chancellor, who was unable to say anything because the Government has not yet made up its mind on any of the commission's recommendations.

It is indeed highly unlikely that the proposal to give juries discretion over the penalty for murder will be accepted by this or any other Government. But since the Royal Commission unanimously decided that it was the only practical way of modifying the death penalty—short of abolishing it—the proposal deserved less cavalier treatment than most of their lordships were disposed to give it last week.

Kenya's Constitutional Dilemma

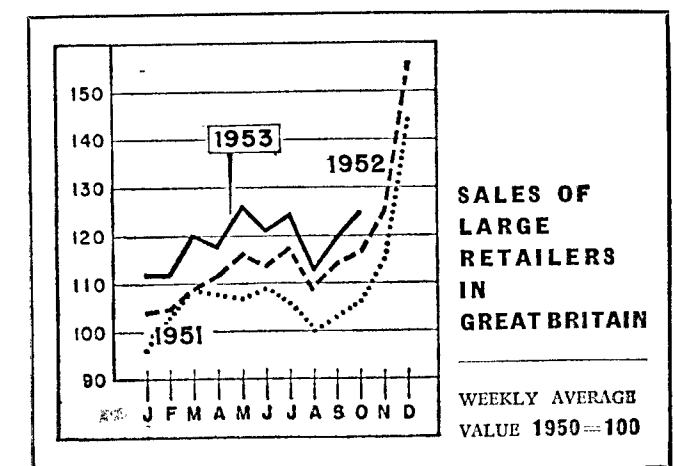
THE economy of Kenya has received a shot in the arm, and the current discussions on constitutional reform can at least go forward in the knowledge that the Govern-

ment is solvent. Of the £11 million offered to the colony by Mr Lyttelton a fortnight ago, £6 million (£4 million as an outright gift, £2 million as an interest-free loan) will go to restore the revenue balances to the level needed for the Government's normal cash transactions; the other £5 million will be spent in the next five years on constructive schemes for African agriculture, and thus help to provide work for the many Africans who have been crowded back into the reserves.

This gesture of goodwill has come at a time when the discussions on the constitution have shown widespread agreement on the need for a change, but on not much else. The Africans, the two groups of Indians and the Arabs have now given their views on the policy statement issued by the European elected members. The Africans and non-Muslim Indians have not helped by throwing intransigent utterances at each other on the thorny problems of immigration and land-alienation; and the Africans have demanded that they should fill half the places on the Legislative Council, while the others have asserted that the races should be equally represented until a common roll is introduced. On one point only there seems to be wide agreement in principle: that all races should be offered portfolios in the government. Even this, however, leaves a watershed to be crossed. At present all "Members"—or Ministers—in the Government sit on the official side of the Legislative Council. It is normal Colonial Office policy gradually to give responsibility to the unofficial elected members. It is hard to see how changes can be made in Kenya without taking this step; yet once it is taken there is no turning back on the road to eventual self-government. Many settlers are now realising that progress along this road cannot possibly take the form that they would like; and some are wondering whether they would not, after all, be better off if they stayed permanently under the paternalistic guidance of the Colonial Office.

Wining and Winning

HE who pays the piper calls the tune. This is an axiom to be borne in mind whenever a government offers to pay the bills of visitors from other countries, whether



they be journalists, politicians, or other persons of influence. Admittedly, circumstances alter cases—that is another useful old saw—and a good case can be made for comprehensive official hospitality for certain categories of visitors, such as scientific and other technical experts engaged on serious research, or artists and artistes who can make a really valuable contribution to a country's cultural life. But visitors of these types are not generally expected to go home and make political propaganda in favour of the country that has wined and dined them. Travellers whose interests are primarily political cannot claim the same automatic presumption of innocence.

These reflections are prompted by the Egyptian government's recent invitation—since refused—to some British Members of Parliament. But this was no isolated incident. Offers of "all-in" hospitality from governments (or their thinly veiled agents) to foreign visitors regarded as likely proselytes seem to be increasingly common. Most of the birds of passage who flock to Communist countries, whether to attend congresses or to be lionised on heavily conducted tours, do so at the expense of the East European taxpayer; admittedly, few of them could pay their bills out of their own pockets, owing to the absurd rates of exchange imposed by their hosts, but that scarcely makes their position less venal. A clear distinction should be drawn between this kind of thing and the reasonable amount of modest hospitality that a stranger in a foreign land can accept; but wherever there is a danger of that distinction becoming blurred, the golden rule should be a graceful but firm refusal.

Versailles or Weimar?

WHEN France was ruled by kings, comedians were brought to Versailles to entertain them. The Fourth Republic, ruled by politicians, has transformed Versailles into a stage for a farce—the farce of the presidential election—with the whole of France and the world outside looking on. The French public has shown that it is in no mood for such a spectacle. It knows its politicians too well to have expected an orderly dialogue between two performers and a speedy dénouement that would leave only one of them on the stage. But even the most pessimistic did not expect that, after five days and ten acts, the actors would still be performing on a crowded and confused stage. It is no wonder that the proceedings at Versailles have provoked a mixture of derisive laughter, indignation and humiliation.

Frenchmen are offered by their politicians the sad spectacle of democratic forms run mad. It is, of course, perfectly constitutional to continue the ballot *ad nauseam*, but the members of parliament were charged to choose the man who should be the symbol of the Republic's unity. By their behaviour they demonstrated that there is no such unity, at least in parliament. It is difficult to apportion the blame for this tragi-comedy, but there is something wrong with a system which cannot work within the framework of its own institutions. The present regime is based on the assumption that parliamentary parties have a unity of purpose which in practice does not exist. The parliamentary parties were capable of a tacit agreement at the time that they felt threatened by the Gaullists on one side and the Communists on the other. But once the immediate danger

had gone, the magic of democratic unity wore off. The readmission of Gaullists into the governmental coalition has shifted the balance to the right; the untouchability of the French Communists precludes the traditional alternative—a government of the left. When it comes to the presidential election, however, the search for a coherent majority is further complicated by the votes of the senators, by personal and local quarrels, by sentimental attachments to outmoded labels.

The resulting deadlock has done untold damage to the already tarnished prestige of French democracy. Will democratic politicians never learn from history and always move fecklessly towards their doom? Will none among them warn his fellows of the fate that overcame the Weimar Republic in Germany?

Mossadegh's Secret

DR MOSSADEGH, until so lately a star performer on the world stage, is now condemned to oblivion. The Shah and General Zahedi have done well not to make a martyr of him. They have sentenced him to three years' solitary confinement—a terrible ordeal for an old man who thrives on limelight, but a fitting punishment for the obstinacy that set Persia's development and welfare schemes back by several years. Why was he so successful? What is the quality in elderly Asian leaders like Dr. Mossadegh and Syngman Rhee that enables them to keep reasonable statesmen at bay, to keep the West guessing and to baulk—even to rout—the representatives of great powers offering policies which, though admittedly self-interested, are also of advantage to Asia?

Dr Mossadegh held Persia in thrall partly because he was honest in a country where honesty has not been the rule in politics and partly because he had the driving power of a one-track mind. His tragedy, and Persia's, was that he used these assets only for negative and destructive ends. Had the same amount of energy been put to a constructive purpose, the result for Persia could have been beyond imagining. But his real strength lay in the fact that his one idea harnessed a nationwide dislike of the foreigner—first against the Russians and their oil ambitions in the north, and then, as a counterpart, against the British oil interest in the south. Does the immense motive force of this xenophobia spring from Asian weaknesses or from the failure of the great powers to replace a bossy relationship with something closer to tolerance, or from both? There is room for inquiry on this subject both inside and outside Persia.

Birmingham's Slum Scheme

BIRMINGHAM CORPORATION is promoting in Parliament a private Bill which aims, among other things, at carrying further its bold programme of urban redevelopment. The city took advantage of a provision in the 1944 Town and Country Planning Act, since repealed, that gave broad

powers for dealing promptly with congested areas of obsolete houses. Birmingham has created five redevelopment areas, encircling the centre of the city, in which the corporation has acquired 28,000 houses (nearly all unfit) as well as 5,000 shops, factories, and other premises. This large-scale acquisition of old properties, coupled with a broad discretion in their management and disposal, is proving to be the key to a satisfactory programme of redevelopment spread over a long period.

Birmingham is now seeking a renewal of these powers in order to tackle its remaining "blighted" areas in the same way. If the Bill passes, the corporation will in time assume responsibility for almost all the slum property in the city. As the slums are demolished, only a half of their inhabitants will be rehoused by public schemes within the same areas. The corporation intends that the remainder should be offered accommodation in other towns in the region, under housing schemes that Birmingham will help to pay for. But the City Council is afraid that this plan will be set at naught by an influx of new residents who will establish a claim to public housing.

To meet this contingency the Bill includes a novel clause, enabling the city to exercise some control over the future letting of houses whose occupants depart under an assisted "overspill" scheme. The LCC, which faces a similar problem, may seek similar powers. A town meeting, which last week approved the rest of the Birmingham Bill, understandably criticised this one clause. It is a bad principle to allow local authorities to regulate private lettings. Moreover, the request for this power, however financially intelligible, is based on faulty diagnosis. People do not seek to live in Birmingham or anywhere else out of caprice but because a job pulls them. Birmingham, however, is far more anxious to squeeze out population than it is to squeeze out industry. It is no answer to this dilemma to place trivial restrictions on the mobility of labour.

More National Parks?

THE National Parks Commission recently designated the area of a new national park in the Yorkshire Dales. If confirmed by Mr Macmillan, this decision will bring the number of national parks in England and Wales to seven; the others are the Peak District, the Lake District, the Yorkshire Moors, Snowdonia, the Pembrokeshire Coast, and Dartmoor. This is an impressive list, and it is clear that the North of England—at any rate—is now well served. But the commission, in its latest report*, expresses disappointment that the list is not still longer, and in particular that its attempts to turn Exmoor and the Cornish coast into national parks have so far been frustrated by opposition from the local authorities.

National parks, despite their name, are primarily under local control. The creation of a park does not add to a county council's powers (already ample, if it chooses to use them) to stop undesirable development; its purpose is to secure that extra care is given to the planning and control of the area designated, and to assist the provision of recreational facilities to serve the nation at large. Some

* Fourth Report of the National Parks Commission, for the year ending September 30, 1953. HMSO. 2s. 6d.

counties are reluctant to go to the trouble and expense of creating special administrative machinery to further these ends.

Their attitude is understandable, and the Commission itself regards it as an "anomaly" that local authorities should carry the burden of responsibility for a national park. The position, however, is not really as anomalous as it seems. If there were only two or three national parks, it might be reasonable to finance and control them on a national basis; since there are many parks (and the commission wants more), it would be wrong and wasteful to separate them from local government. In these circumstances the machinery and the budget of each park is best kept on a modest local scale, aided as it is by an Exchequer grant. The National Parks Commission also has a general duty of advising on the protection of natural beauty in all parts of the country, and it is within this broad context that its work should go forward; any tendency towards a proliferation of designated parks—and thus towards a division of Britain into "spoilable" and "unspoilable" areas—should be resisted.

Framework for Japanese Forces

IT is dangerous to overlook the fact that the rearmament of Japan is now proceeding without any of the collective safeguards provided in the case of Germany both by Nato

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and the EDC. It is being carried forward on the basis of a security pact with the United States, but this alliance is purely bilateral and does not involve any of the other signatories of the San Francisco peace treaty; nor does it integrate Japan's new armed forces in any kind of regional defence association. The separateness of the American-Japanese connection from other defensive arrangements now existing in the Pacific is characteristic of the general lack of any kind of collective security system in that area.

The problems raised by this situation are considered in an article on page 970 of this issue with particular reference to South East Asia. With regard to Japan, the absence of "framework" increases the disquiet felt among Japan's victims of the Pacific war at the prospect of a revival of its power. The Americans' task of guiding this new development and keeping it inoffensive to weaker nations is not without difficulty even at this early stage, because Japanese industrialists have been showing signs of restiveness.

The five-year scheme adopted by the Japanese National Security Board has been criticised by the defence production committee of the Keidanren (Federation of Economic Organisations) on the ground that it does not pay sufficient attention to sea and air power, and involves too much dependence on the leasing of American weapons. But it is just the concentration of Japanese rearmament on a land force (with the United States providing naval and air support in an emergency) and its dependence on American supplies that would provide the best guarantee against a possible future renewal of truculence and violent expansion. It is reported that a navy of 150,000 tons and an airforce of 1,200 front-line aircraft by 1958 are envisaged in the armaments programme to be presented by the Yoshida Government at the forthcoming defence conference in Tokyo. Naval and air strength and a large independent arms industry would tend to make Japan dangerous again.

American Arms for Pakistan

BOTH Mr Mohammed Ali, the Pakistani Prime Minister, and Sir Zafrullah Khan, the Foreign Minister, have recently denied that there is any question of Pakistan either granting bases to the United States or joining an American alliance. The foundation of the recent rumours appears to be no more than the admitted fact that Pakistan is to buy a certain amount of military equipment from the United States and perhaps to receive some of it as a gift. No precise details are yet available. But, as Sir Zafrullah has pointed out, there was nothing unusual or remarkable in the recent visit to America of the Pakistani Commander-in-Chief, General Ayub Khan, who "in discharge of his responsibility" went, as many others have done, "looking at things that interested him." If any American arms were to be supplied as military aid, it is understood that Pakistan would probably be required to furnish guarantees that they would not be used for aggression—for instance, in Kashmir. Some dollars might be made available for off-shore purchases in Britain.

The rumours about bases have caused reactions in both Delhi and Moscow. Both have protested to Karachi, and

Pakistan has assured Russia that, while it proposes to take every step to safeguard the national interest, it contemplates no step hostile to friendly countries. In Delhi the Congress Party's working committee has passed a resolution deploring what it considers to be a recent hardening in the attitude of the colonial powers towards nationalist movements, and it couples this with its report on the negotiations between Pakistan and the United States. It also staged a mass demonstration over the week-end. Backed by public opinion in such a frame of mind, Mr Nehru has strongly protested in public about the possibility of any American-Pakistani military link. Understandable as Indian emotions may be, however, the implication is that Pakistan is not free to pursue a fully independent foreign policy. That is something which runs counter to the whole concept under which power was transferred in 1947 to two states rather than one, and it will be vigorously rejected by Pakistan. The Indian sub-continent is admittedly a strategic unity. But its division is now as politically complete in practice as in theory.

For the United States, Indian reactions to the rumours of bases in Pakistan raise important issues of general policy. In the present state of international affairs, no such base would be worth the alienation of India. During the past few months Delhi's attitude to China and its policy towards

Rumours of Peace

If we are parties to re-establishing peace by the restoration of previously existing treaties, we shall be guilty and blind to an almost incredible degree. Why! it is these very treaties which have given to Russia perpetual pretexts for interference in Turkish internal affairs—which have made the connection between the two countries one chronic irritation—which have enabled Russia to undermine, to weaken, to disorganise, to madden Turkey—which she looks to and relies on for enabling her gradually to destroy and absorb that unhappy power. It is under these very treaties that she has been enabled to ruin and control the navigation of the Danube . . . to rob English merchants, and to sap the sources of Bulgarian and Wallachian prosperity. It is under these very treaties that she is now crushing the liberties and destroying the peace and property of those wretched Principalities. It is under these very treaties that she is empowered to exclude all other ships of war from the Black Sea, and thus to operate there uncontrolled. . . . If it be true, as asserted, that under Russian instigation Persia has declared war against the ally of England, this should remind us of a consideration which, in general, we are said not to be too apt to lose sight of—namely, that in dealing with Eastern nations, forbearance and moderation are always interpreted as signs of weakness, and insolence and audacity as indications of strength. Orientals . . . always submit to those who are powerful, and they always consider assumption and aggression to be proofs of power. If, therefore, the present war ends in even the apparent triumph or immunity of Russia (*who is known throughout Asia as our great rival*), and in the even apparent discomfiture or injury of Turkey (*who is known to be our ally and protégé*), we may find that the settlement of the quarrel on such terms as are said to be designed, will be no less dangerous and troublesome to the Indian than to the Ottoman Empire. If we have any consideration for the future peace either of Europe or of Asia, we must make the discomfiture of Russia as obvious to others as to herself.

The Economist

December 24, 1853

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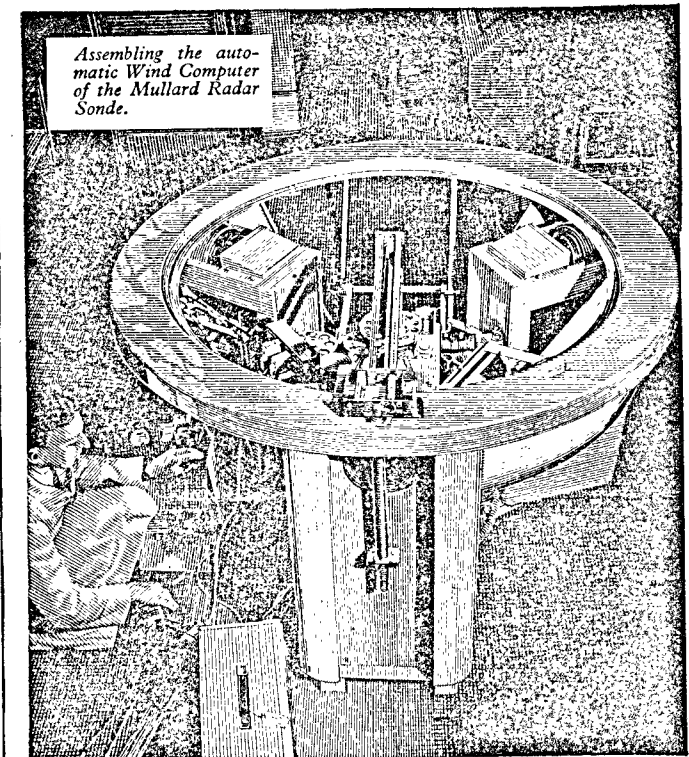
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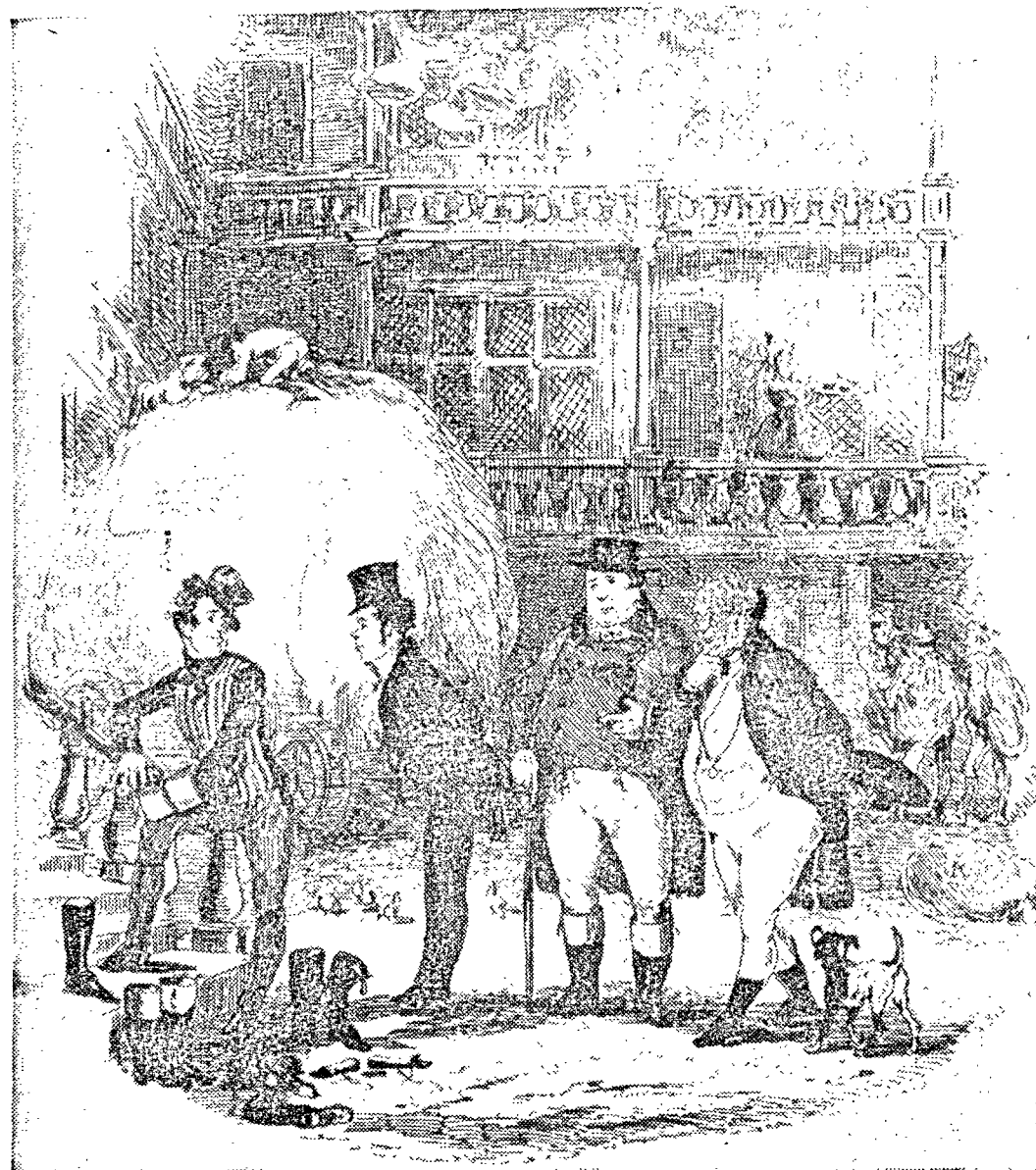
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the Communist bloc have hardened. This is one of the most favourable recent developments in Asia, which it would be folly to push into reverse.

Eliminating the County Scholar

How should students be selected for the universities and what authority should be responsible for providing scholarships or awards to keep them there? These are twin problems that have exercised both the universities and the local authorities a great deal since 1945. The universities have insisted that they alone are responsible for deciding who shall be admitted to universities, while the local education authorities are solely responsible for making their awards. In practice the dividing line cannot be so sharply drawn. Unless the local education authority is prepared to undertake an entirely passive role, giving awards to all needy students who find a place in a university, it is bound to exercise, by granting or withholding financial assistance, a secondary control over who goes to a university.

This double hurdle produces many anomalies between one area and another, since most authorities have their own criteria for selection and set a limit to the numbers of students they are prepared to assist. The variation in opportunity, according to where a student lives, may be as great as that imposed on school children at eleven when they are competing for grammar school places. To overcome these inequalities PEP in a recent broadsheet* proposes that any student accepted by a university should automatically be entitled to an award (on a means test), paid wholly by the Exchequer, and that local authority awards should cease.

This proposal has an attractive simplicity; the Ministry of Education would presumably administer the scheme much as it now administers the 2,000 state scholarships each year. But in the process something significant would be lost. Most authorities give much time and attention to the selection of their county scholars: many are interviewed, and there is a network of personal relationships between headmaster, selectors, candidate and university which would be lost under the PEP scheme. The local authorities would almost certainly become less interested in the universities as a result. This is a considerable price to pay, even for equality of opportunity. It cannot be commended unless there really is no way at all of ensuring fairness without driving another nail into the coffin of local autonomy.

A Vinous Christmas

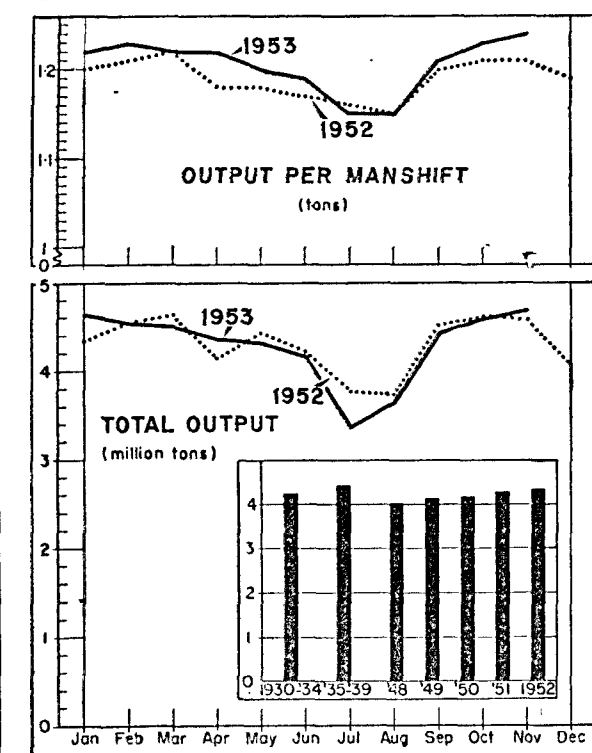
THE wine trade appears to be having—and distributing—a happy Christmas this year. Sales seem to have been better than they were last Christmas. They have, indeed, been satisfactory for the year as a whole, and for nearly all sections of the trade.

* *Choosing University Students.* Political and Economic Planning. No. 357.

All the main exporting countries have succeeded in selling more wine to Britain than they did in 1952. In quantity the largest supplier in the first eleven months of this year was Spain; it is probably the largest in value too, although France, with a larger export of expensive wines in bottle, runs it close. But these imports will not be sold over the counter for six months at the least. The course of consumption is less clear. The nearest thing to statistics of consumption is given by withdrawals from bond, and in the most recent fiscal year (ended last April) these are believed to have fallen by about 500,000 gallons from the 9,800,000 gallons of 1951-1952. All types of wine—table wines and heavy wines, still and sparkling—shared in the decline. But since April, according to reports, trade has improved—except for champagne; this, apart from a brief heyday in hotels at Coronation time, has slumped very badly. The heavy wines, on the other hand, in spite of a duty that is over six times what it was before the war, seem to be holding their own. The port advertising campaign has borne some fruit, and sherry is said to be gaining ground in provincial and suburban off-licence trade, but losing a little in the West End of London.

The fact that less champagne is being drunk and that sherry's gain appears to have been with the middle classes might suggest that money is not so plentiful in the West End. But for the drop in champagne drinking there is another explanation. After the disastrous vintage of 1951 the French growers raised their prices so high that champagne became almost too dear even for an expense account. There are signs that the British public is becoming steadily more appreciative of table wines in general, yet because of the decline of port, it still drinks only about two-thirds of the wine it drank before the war.

COAL PRODUCTION in GREAT BRITAIN WEEKLY AVERAGES



Letters to the Editor

Dividends and Taxes

SIR—There have been two recent developments bearing upon the dividend practices of public companies. The one has attracted little attention, and the other a great deal; but they are both developments in the same direction, and of sufficient importance that they cannot, together, fail to have significant political consequences.

The first has been an increase of 9 per cent in the first ten months of this year, over a comparable period of 1952, in the net amount going to the ordinary shareholders of a representative cross section of companies reporting. This increase has apparently been regarded by the Government as justified by the increase in capital employed in the same period; defining "capital employed" as the sum of share capital and reserves, this absolute increase of 9 per cent can be shown to have been accompanied by no change of yield.

The distributive consequences of such a justification are, however, far reaching. The 1952-53 increase in the amount of capital employed has been in no way exceptional. Given present patterns of saving, it is certain to be substantially exceeded in the near future if an investment programme at all compatible with our needs is to be carried through. Such a programme, it is to be hoped, will produce a buoyant national income. But it is certainly most unlikely to produce a national income increasing at a rate of more than 9 per cent per annum. Four per cent might be a more realistic figure, and if an adequate balance of payments surplus is to be built up and other commitments are to be met, there will be many claims upon this 4 per cent other than those for increases in personal incomes. The argument that increases in the amount of capital employed automatically justify *pro rata* increases in the amount of dividends distributed would therefore involve in the future, as it has certainly involved in the past year, a tilting of the balance in favour of the dividend drawers.

The second development has been the much publicised take-over bids of recent months. These are obviously designed to force a distributive policy still less (indeed a great deal less) conservative than that justified by the preceding argument; and, as you suggested last week, their effect may be widened. Mr Clore and Mr Samuel, not without some argument on their side, have effectively re-proclaimed the doctrine that the primary duty of the company is to give to its shareholders the maximum return in the shortest possible time.

But these changes can hardly fail to

affect the financial policy of a future Labour Government. So long as effective dividend restraint persisted, a high level of company profits, even after tax, was an effective aid to savings and had little regressive effect. The shareholder's income obviously rose little and the market value of his holding was also kept down, for the Stock Exchange showed itself primarily interested in yield. High company savings were thus compatible with a semi-egalitarian policy.

The basis of this marriage has now been destroyed. To save in such a way is to give to the ordinary shareholder claims which, even when he wishes to be restrained, it will in future be increasingly difficult for him not to press. In these circumstances any Government concerned to maintain at least the present degree of equality in the distribution of the national income will fight shy of high company profits. It will be forced towards a higher level of corporate taxation and the replacement of company savings by public saving through a larger Budget surplus.—Yours faithfully,

ROY JENKINS

House of Commons

Extended Credits for Exports

SIR—There is a very real problem for exporters. It is one of means, not of ways. Britain cannot now afford any great volume of exports unrequited for several years. Most European countries face the same difficulty, so the problem is one which calls for an international solution.

Bills of exchange provide the answer. The World Bank should be asked to offer to member nations discount (or re-discount) facilities, such as the Bank of England offers to London discount houses.

For example, a British exporter, under the terms of his sales contract, might draw bills at say, one, two and three years on his overseas buyer or on his buyer's bank abroad. He has obtained export credit guarantee and he negotiates his bills with his own British bank. The British bank whether on its own or acting in a consortium, requiring foreign exchange, endorses the bills and discounts them at the discount office of the World Bank, receiving the desired currency in exchange. The World Bank may hold the bills as investments, or could presumably at need endorse them and itself re-discount them with the banks of member nations.

If the World Bank prefers to deal only with central banks, the procedure can be adjusted. The principle is that the

World Bank should provide the backing for an international discount market. If the principle were agreed the practice would present little difficulty. Credit would make possible the growth of world trade. As at the discount office of any central bank, so at the discount office of the World Bank, the credit standing of some acceptors would be good, of others not so good. The World Bank would be, as the Bank of England is in London, the lender of last resort, and woe betide those who blotted their copybook in dealing with it.

Would the World Bank be willing to act in this way? It would be proper banking business, and, though the credit given would be of shorter term than is usual for a bank organised to deal with capital financing, this again is a matter of detail or of degree. The principle is faithfully in line with the Bank's policy of flexibility and the willingness to consider constructive suggestions for the employment of the Bank's resources.—Yours faithfully,

LONDON, E.C.3 HUGH M. O'CONNOR

Conflicts at Luxemburg

SIR—In connection with the article in your issue of December 12th, I think it is worth pointing out that the question of export cartels was raised during the recent eighth session of GATT. When the contracting parties discussed the first annual report of the six member states (following the granting of waivers from GATT obligations in 1952, such reports are to be submitted annually until the end of the transitional period) several countries outside the pool raised the question of export cartels, and the High Authority gave the contracting parties an assurance in the following terms: "that it will take every measure in its power to ensure that equitable prices are charged in markets outside the community and no arrangement or combination between producers shall impair the value of that undertaking." The contracting parties also expressed the hope that the High Authority would see its way to make public the results of the examination it is conducting of producers' agreements, as well as the remedial measures it may decide in so far as those results or measures relate to the undertakings that formed part of the GATT waiver.—Yours faithfully,

RICHARD R. FORD

General Agreement on Tariffs and Trade, Geneva

German Assets Abroad

SIR—How is it possible to sit down, with any prospect of success, for discussions with the Russians unless clear and unmistakable rules of conduct are first enacted within the ranks of the West?

In this sense, the German people's demand for the return of confiscated assets abroad would be a demand in the interest of the entire civilised world. I have never understood how the Western powers could consider it possible to include Germany in their system if they were not to grant her again, first

of all, those rights which are the prerequisite for co-existence between civilised peoples, the most important of which is the inviolability of private property.

I cannot understand either why the German Government should have declared its readiness to enter into international covenants when no ground had been created on which to base such action, and why it requested silence about the return of German property, which means tacit acceptance of illegal robbery. A demand for its return would not be, as you have suggested, an assertion of increased self-confidence. It would be prompted by a desire to see the principles of law re-established between civilised peoples.—Yours faithfully,

M. VON DZIEMBOWSKI

Söcking über Starnberg

[The technical answer to this typical German point of view is simple. The Federal Republic's liability for repayment of its debts was reduced by the London debt agreement. It should also be recalled that German-occupied Europe was left with large credit balances in Berlin, representing the extent to which it had been exploited, which no one expects to see repaid.]

The political answer is that victims of German destruction and cruelty do not accept the right of Germans to complain on moral or legal grounds about the confiscation of assets abroad. We are all suffering from the effects of the war that the Germans started.—EDITOR.]

Poisoned Air

SIR—In your recent note on "Poisoned Air" you say that "moral persuasion" is the only method that can be used against the worst producers of "smog." With all respect, "it ain't necessarily so."

Consider Pittsburgh. This was once the dirtiest city in the USA; it is now, by the direct test of the condition of one's shirt collar at the end of the day, one of the cleanest and far cleaner than any English city, even outside the industrial belt. This result has not been obtained by moral suasion but, so I am informed, by the passing of two ordinances, one forbidding the emission of smoke by industrial premises and one, a year later, imposing a similar prohibition on non-industrial premises. The result is magnificent, and the new and shining buildings that are now going up are a splendid contrast to the blackened and eroded structures of the earlier period.

Now, I know that there are many differences between England and the USA; in natural resources, in the nature of the "domestic hearth"; "we don't do things that way." But we might try, for once. An ordinance of the Pittsburgh type, to take effect, say, in three years, would be a powerful inducement to landlords to instal appropriate grates and householders to burn appropriate fuel, and for the producers of such fuel to put it on the market, for the demand for other types would fall off.—Yours faithfully,

E. M. HUGH-JONES

Keble College, Oxford

Books & Publications

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THE TUDOR REVOLUTION IN GOVERNMENT.

By G. R. Elton.

Cambridge University Press. 466 pages. 42s.

A CENTURY ago Mr Gladstone, writing of the Trevelyan Report on the civil service, mentioned approvingly "its tendency to strengthen and multiply the ties between the higher classes and the possession of administrative power." "As a member for Oxford," he added, "I look forward eagerly to its operation." Partly because of the multiplication of these ties academic historians have come to pay more and more sympathetic attention to the organisation and role of the civil service in the past. Thanks to the work of Tout and his disciples the gains have been greatest for the earlier centuries; but the later periods are beginning to show equally rich rewards. And with this new approach has come a reappraisal of individual figures: Renulf Flambard, Thomas Cromwell and Charles Jenkinson are among those gaining respect and even admiration.

Mr Elton is an extremely able and rigorous exponent of this relatively new discipline, and is fully aware of its implications. "Our history," he writes in his introduction, "is still much written by whigs, the champions of political freedom; to stress the need for controlling that freedom may even today seem not only not Liberal but even illiberal." Moreover, he presents his very detailed study of administrative changes in the 1530s not as just a single chapter in a long and slowly moving story but as the second act in a three act drama. For this is a study of an administrative revolution; and, he argues, there have been only three such revolutions in English history. The first was the Anglo-Norman creation of medieval household government, in which efficiency depended on the personal qualities of the king. The second, here traced in detail, was the deliberate organisation of national bureaucratic departments, which substituted government under the king for government by the king. The third came in the nineteenth century and created an administration by departments responsible to the reformed House of Commons.

Behind the great changes of the 1530s—the organisation of the new revenue courts, the reform of the government secretariat, the transformation of the privy council into a permanent ministerial board both making and executing policy, and the remodelling of the household to fit it for its attenuated task—Mr Elton sees the hand of one

man, the "bureaucrat of genius," Thomas Cromwell. In working out this thesis Mr Elton gives us what is by far the best account of the agencies of central government as they were recast and enlarged during the Reformation. His researches have made a solid and substantial addition to knowledge of an important and difficult subject.

But the inferences he draws from his discoveries are sometimes strained and occasionally contradictory. The anti-thesis of those dangerous terms "medieval" and "modern" is artificially sharpened to throw the reforms of the 1530s into prominence. It seems difficult to maintain both that the 1530s are essentially modern because "individuals assert themselves where anonymity had been the rule" and that medieval government had been less efficient because "individual qualities and behaviour counted for more than the traditions of a department." Mr Elton does indeed face the paradox that Cromwell was both autocrat and bureaucrat, devising institutions and procedures only to cut across them by the unorthodox methods of highly personal government. But it is not easy to reconcile his comment that "Cromwell rarely worked in the manner of a revolutionary reformer but rather changed things along lines of development already dimly discernible" with his main thesis that Cromwell was the architect of a deliberate and conscious administrative revolution. There is much to be said for the less dramatic conclusions of an American scholar, Professor Richardson, set out in his recent study of chamber administration under the first two Tudors.

Mr Elton has elsewhere shown his familiarity with the policies and personalities which he has almost entirely excluded from this study of institutions. Now that he has proved his quality as a scholar it is to be hoped that he will go on to show us the institutions in action, in relation to the men who used them and the problems they tried to solve.

Love and War

AUGUSTUS HERVEY'S JOURNAL.

Edited by David Erskine.

Kimber. 349 pages. 25s.

AUGUSTUS HERVEY lounges out of his portrait by Gainsborough with the assured arrogance of a Whig aristocrat. His father—Pope's *Sporus* or Lord Fanny—was the author of those superlative memoirs of the court of George II of which a new edition has recently been published. His brother, the Earl-Bishop, was that paragon of

grand tourists who is commemorated by a thousand Hotels Bristol on the Continent. Although we meet Augustus as an impecunious lieutenant in 1746, we leave him in 1759 possessed of a modest fortune earned by prize-money and other well-merited rewards. The impression left by his journal (which is efficiently and unobtrusively edited by a descendant) is that of a courageous, competent officer whose services as well as his social status justify his criticisms of renowned figures such as Hawke and Saunders. He can even call the great Lord Anson a "wretch."

If ever there was a sailor with a wife in every port it was Captain Hervey. His uninhibited descriptions of how he spent his leave remind the reader that this is Boswell's world—"twas one continued scene of pleasure." If his amours are not so squalid as Boswell's, they are just as numerous and described with equal frankness. Mr Erskine calls him "the English Casanova," but if the latter was a liar he could certainly write better than Hervey, who cannot prevent the reader from becoming somewhat satiated with his "little flighty suppers," his luscious women and their sour, surly husbands. When duty calls he is another man:

I cared little about anything but my pleasures in these days, till I got to sea, and then my profession was all my pleasure.

From a historical point of view the chief value of the book is Hervey's defence of his friend Admiral Byng. His journal tells us little about life on board, and it is a pity for his own reputation that it breaks off on the threshold of a notable career. Nevertheless it is certainly the best naval autobiography of the period because it introduces a lively, intelligent young man who must have been extraordinarily good company.

Men of Goodwill

"THIS I BELIEVE." *The Personal Philosophies of One Hundred Thoughtful Men and Women.*

Foreword by Edward R. Morrow.
Hamish Hamilton. 205 pages. 12s. 6d.

THERE is something rather appalling about the idea of a hundred potted credos, first delivered at five-minute lengths through a microphone and then assembled in book form. That such a radio broadcast, or such a publication, is symptomatic of a pathological rootlessness and need for reassurance in society at large is, of course, no criticism; to confront and counter these evils is precisely the object of the exercise. The question is whether such an exercise can possibly be a success—otherwise, that is, than as a kind of spiritual gossip column or Who's Who in which to look up the souls of an assortment of newsworthy individuals.

At the Who's Who level "This I Believe" is fascinating. One knows already, from explicit statements made under less crippling conditions, the world-views or universe-views of A, B and C—say Mr Aldous Huxley, Lady

Astor, Mrs Eleanor Roosevelt. One may have guessed—but how mistakenly! at those of D and E; say Mr Aneurin Bevan or Mr Cecil Day Lewis. One may have speculated about those of such colourful characters as Mr Peter Ustinov. Here are the answers.

International comparisons are interesting, too. Fifty contributors are British, fifty American. A round half-dozen British contributors explicitly profess rationalist or agnostic views. Not one American does so, and only three omit prominent reference to religious belief. Among the British there are a sprinkling of confessed pessimists; among the Americans there are none. It would have been enlightening, perhaps, to have the creed of Mr James Thurber, or of that latter-day Yahoo fancier Mr Philip Wyke. But no one was found—or invited—to strike such an un-American note; nor, on either side of the Atlantic, to stand up for any fundamentalist dogma, religious or secular. One Episcopalian and one Anglican announce their personal adherence to a definite theology; but no voice proclaims *Paiens ont tort, et Chrétiens ont droit*.

Tolerance, indeed, is the keynote; and, with tolerance, "reverence for life," integrity in the search for truth about man and nature, human brotherhood, an undenominational Deity, the essential goodness of life. This general consensus is expressed with varying emphases, in styles ranging from the highly civilised to the excruciatingly folksy. (Folksiness is, of course, an occupational disease of American inspirational writing. It should be added that the most moving and memorable item of all comes from America; it is that of Miss Helen Keller.) Very possibly many readers will find this book "helpful," and thus justify its existence. But a wicked wish somehow remains that Mr Aldous Huxley—not the contributor of today, but the unregenerate of long ago—could have had the reviewing of it.

Lessons in Libels

HATRED, RIDICULE OR CONTEMPT.

By Joseph Dean.
Constable. 259 pages. 15s.

ACTIONS for defamation are second only to trials for murder in general interest, and presumably for very much the same reason; a reputation may sometimes have a value not far short of life itself. Mr Dean has accordingly collected accounts of some of the famous libel and slander actions of the century and made a very readable book out of them. His object has been more entertainment than instruction, and the result is a book which appears appropriately enough in time for the Christmas shopping lists.

Not that the book is devoid of its more serious lessons (what books are?). On the whole, the press comes out of it reasonably well. It certainly has been as much sinned against as sinning. And did not Professor Laski in the end

complain more of the courts—at least of such things as special juries—than of the newspapers that repeated what he did (or did not) say? It is some of the judges who do not show up too well in Mr Dean's narratives; Mr Justice Darling, who proved no match for Mr Pemberton Billing in 1918, and Lord Hewart, the Lord Chief Justice, in the Hobbs libel case, of whose conduct Lord Justice Sankey in the Court of Appeal said: "It is not admissible to do a great right by doing a little wrong." Counsel for the litigant with a good case may well pray that the judge will not be too obviously on his side.

Nor can Mr Tolley, the amateur golfer, or Messrs J. S. Fry and Sons have felt any profound veneration for the courts when at last there was an end to their litigation over an advertisement in which Messrs Fry showed Mr Tolley as praising their chocolate. On the trial of the libel action the jury awarded Mr Tolley £1,000 damages and Mr Justice Acton gave him judgment for that amount. Three judges in the Court of Appeal said that he had no right to the judgment and that the damages were excessive. One law lord in the House of Lords agreed with them; the other four restored the original judgment but ordered a new trial on the amount of the damages. The difference between the sum Mr Tolley finally received and that paid to the lawyers must have been remarkable. That, of course, is the final moral in the book; do not go to law at all, unless, of course, you are an "assisted person."

Laborious Survey

SURVEY OF INTERNATIONAL AFFAIRS, 1938. Volume III. R. G. D. Laffan and others.

Edited by Veronica M. Toynbee.
Oxford University Press. 622 pages. 55s.

THIS volume presumably concludes the prewar series of Chatham House annual surveys. The desire to finish the task is understandable; but this volume must have been as laborious to write as it is to read. Professor and Mrs. Toynbee cannot be blamed for the fact that the war made the completion of the series in its original form impossible; but the delay of fifteen years makes the volumes that have appeared since 1945 necessarily different in kind from the prewar ones. The original volumes were written very soon after the events they recounted; they provided basic factual material in a convenient form and they often conveyed eloquently a particular view of the events described (Professor Toynbee's comments on the Ethiopian crisis in the Survey for 1935 are a good example).

The authors of the volumes for 1938—and to a certain extent those of "The World in 1939"—have a more difficult task. For they have to deal with the whole mass of material that has appeared since the war (and 1938 must be one of the best documented years in the history of the world), and thus compete with a number of works by

eminent contemporary historians, such as Sir Lewis Namier, Mr Bullock and Mr Wheeler-Bennett, as well as with the original material that is readily available in published form.

The present volume deals with a number of unconnected topics omitted from the earlier volumes of the Survey for 1938: Czechoslovakia up to the march into Prague; the relations between Germany, Poland and Lithuania up to March, 1939; Russia and the Balkans during 1938; and the rearmament of the major powers down to the Munich agreement. These chapters are by different authors; they have little connection with each other and they vary in quality. Mr Laffan has contributed a scholarly and impassive account of the end of Czechoslovakia. Mr Ashton Gwatkin's section on Russia adds nothing to our knowledge. Lord Chilton's account of rearmament contains some useful material embedded in prose of the flattest kind ("By the same token their adversaries found themselves on the horns of a dilemma" is a fair specimen of the sort of sentence to be found).

The editor and authors have clearly taken a great deal of trouble over a volume that will have a certain value in providing factual material and bibliographical indications for future researches in the field of recent history. Now that the prewar series is complete on our shelves—even if we take down the later volumes less often than we do the earlier ones—Chatham House will, it is hoped, concentrate all its efforts on continuing to produce rapidly annual surveys that will provide an invaluable guide to the most immediate past which historians have not yet had a chance to evaluate.

Aesthetic History

ILLUSTRATED HISTORY OF ENGLISH LITERATURE. Volume I. By A. C. Ward.

Longmans. 244 pages. 25s.

THE creation of a book is an affair of threefold co-operation between publisher, author and reader. Messrs Longman's production of A. C. Ward's "Illustrated History of English Literature" is so pleasant that the volume is an invitation in itself, and the presentation of its argument is so genial that the reader is charmed into an early and lively anticipation. But being so well served, the reader is also invited to make a reciprocal contribution. Mr Ward lays down his requirements in a forthright note in the introduction. "It will be assumed," he declares, "that the reader hears mentally all printed words, not only sees them with his eyes." It is an intriguing proviso, and the author has the happy faculty of enabling those whose ears can accept it to identify themselves with the gradual development of English Literature so that it becomes something essential to their own make-up. This effect is not gained by any sensational attack, but by the more subtle persuasion of straightforward,

lucid prose, by a breadth of knowledge modestly displayed, and an abiding commonsense.

The major masters of verse and prose are linked by a selection from various imitative followers who are considered as "ducts of poetry"—writers who may have little appeal outside the generation for which they wrote, but whose words "fertilize other men's minds and through them live again more potently." Thus, continuity is achieved without loss of pace.

Since most works of art reflect contemporary manners, and most writers are concerned with human reactions to difficulties, this is a social as well as an aesthetic history, which presents the evolution of English letters against the background of their times and of their literary and artistic inheritance. It is not a book to be read once and shelved; it is for those who want a guide to literature that is more than an annotated bibliography and yet does not try to distort richly diverse material to fit a preconceived scheme. It is for those who have an insatiable appetite for talk about books and their possibilities, and about writers and their peculiarities; who cannot be reminded too often of an inspired phrase, and who like to finish their reading with a sense of having shared in a fruitful discussion.

The present volume, which carries the reader from Chaucer to Shakespeare, is to be followed by a second volume, from Ben Jonson to Samuel Johnson, and a third, from William Blake to Bernard Shaw.

God and Marxism

CHRISTIAN FAITH AND COMMUNIST FAITH. *A series of studies by members of the Anglican Communion.* Edited by D. M. Mackinnon.
Macmillan. 260 pages. 21s.

IN commending this volume of essays as "a worthy example of a co-operative effort in the true Anglican spirit," the Bishop of Chichester poses the question whether there is something in Communism which is fundamentally incompatible with Christianity. This is, indeed, the main issue in the several essays, which are based on the belief that Communism cannot be understood unless it is apprehended as a religion. In this sense Communism must, of course, be understood as Marxist Communism. The Apostles practised Communism for a short time, and they abandoned it, not because they had discovered theoretical objections, but because it did not work and threw the Christian community at Jerusalem upon the relief of the rest of the Christian world. Every Christian monastery practises Communism—but practises it by the free choice of its adherents. Marxist Communism is, however, clearly incompatible with Christianity, for it is based on a materialist philosophy and a materialist interpretation of history that allow no place for God. But the practical question now arises, whether the policy pursued by the Soviet Union is Marxist

Communism or not. Even the theoreticians of the Soviet Union have some reservations on this point, and the question whether the policy pursued by Russia at any given moment is incompatible with Christianity is an empirical one that cannot be decided in advance. The Soviet Union, which made the Molotov-Ribbentrop pact, is quite capable of deciding that Moscow is worth a Mass.

There is, of course, open war between the Vatican and the Kremlin, and the writers of these essays seem anxious that Roman Catholics should not have any monopoly of the hostility to Communism. But there are many political as well as religious factors in this struggle; for instance, the snatching of Poland from the Western world in which it had been for some centuries an outpost of Latin civilisation. It is the position of the Orthodox Church in Russia that is really more worthy of study. After a persecution equalling any in the records of Christianity, and after a generation of attempts to prevent the young from becoming contaminated, a *modus vivendi* was found when the leaders of the Kremlin in 1941 found themselves compelled to rally all patriotic support. Probably neither side has any illusions, but a co-existence of the two has somehow been established.

This does not, however, invalidate the thesis of these essays, which are on a more theoretical plane. A first section, contributed by Professor H. A. Hodges, Mr Denys L. Munby and Professor D. M. Mackinnon, analyses Marxism, Leninism and Stalinism. A second, in which the Rev. R. V. Larmour, Mr M. B. Foster and Mr I. M. Crombie are the writers, probes rather more deeply and subtly into some of the philosophical issues raised by Marxism. The Rev. Christopher Evans then introduces the other side with a statement of the faith of the New Testament.

A final section consists of studies in the Christian understanding of human life and destiny. The contributors are Father Martin Jarrett-Kerr, Professor G. E. Hughes of New Zealand, Dr. Arnold Toynbee, and Dr. John A. T. Robinson. The work as a whole is thoughtful and balanced; if one regret may be permitted, it is that much study of Marxism has often made the writers as obscure as Marx himself.

Purple Guide

ASSISI AND UMBRIA REVISITED.

By Edward Hutton.
Hollis and Carter. 21s. 247 pages.

THIS book is a curious compound of guide book, travelogue and lives of the saints. As a guide to Italy Mr Hutton is certainly very knowledgeable, and he seems minutely acquainted with every corner of Umbria. He takes the reader by the hand, points out everything of interest, throws in any history that may be relevant; he leads one round the galleries with appreciation and discernment, and describes the most important paintings. But it is here that it

matters most whether one is a reader at home or a sightseer. The chapters on pictures are more than a catalogue; yet if their purpose is to remind the reader of what he once saw their success is not likely to be great. The man who has once visited, say, the Pinacoteca at Perugia may recall, from Mr Hutton's descriptions, a few of the pictures. But in print, if not in paint, one Madonna and Child is very like another. The best aid to memory would be photographic reproductions, of which, for a work of this kind, this book contains too few. (Incidentally it needs a map as well.)

The descriptive style, moreover, is prone to erupt in purple passages. The visitor on the spot wants to absorb the beauty that he sees without the help of pretentious prose; while the armchair reader, who wants to create the Umbrian scene in memory or imagination, may often be repelled rather than stimulated by Mr Hutton's words. Take, for example, his description of the two crucifixes by Cimabue in the upper church of San Francesco at Assisi. All who have seen them will agree with Mr Hutton that they are both great and dramatic—and yet the effect of his description is embarrassing. The peace of an Assisi garden is lost in another blush:

Many pleasant hours of a spring evening slip by almost unheeded—so quietly, so sweetly do they pass among the flowers and the thoughts that come to you from long ago, fragrant with the innocence of St. Clare and her company.

Even those to whom the stories of the Umbrian saints are as vividly real as they are to Mr Hutton may find these words laboured, their sentiment contrived. It is a pity that Mr Hutton writes like this, for there can be no doubt that his affection for Umbria is sincere and his knowledge of it profound.

Neo-Nazi Propaganda

NAU-NAU GEFAHRDET DAS EMPIRE.

By Dr Werner Naumann.
Presse Verlag K. W. Schütz, Göttingen.
153 pages and appendices.

STUDENTS of German affairs should devote careful attention to this able and malicious piece of neo-Nazi propaganda. Dr Naumann is a mass of injured democratic innocence—"Do Might and Tyranny prevail or Right?" he asks theatrically, just as the Nazis did in Weimar days before the might and tyranny were exercised so terribly by them.

The book is presented in the moving form of prison notes, smuggled out—probably by a British officer, it is emphasised—to Naumann's friends, and preserved and published by them. Naumann displays himself in these notes as the martyr of endless examination by British Intelligence officers who succeeded, he declares, without any physical maltreatment in applying the technique of Soviet inquisitors. One might sup-

pose from this account that only the Russians and their more raffiné pupils, the British, had evolved methods of spiritual torture. It is difficult not to feel that these implications about British inquisitors should be answered in some effective way.

The parallel between Communist and British behaviour is deliberately and systematically drawn; it links up in this book with the thesis that the arrest of Naumann was engineered by Moscow through that puppet of the Kremlin, Sir Ivone Kirkpatrick. It is even suggested that the whole business was organised by the *Rote Kapelle*, a Communist group which was mercilessly suppressed by the Gestapo during the war. The old Nazi game of treating Social Democrats and the British Labour Party as no better than Communists is, of course, played by Naumann who vies with Senator McCarthy in discovering agents of Moscow among British, American and United Nations officials. National Socialism, Naumann insists, far from being a shameful thing, meant dedication to the fight against Bolshevism; but alas! the British failed to understand that menace first in 1917, then in 1941 when they refused to take Hess seriously (torturing him in the Tower instead), and for the third time in 1953 in attacking Naumann. In Naumann's case, as he has constantly proclaimed, the British were further actuated by jealousy of his commercial success and by the desire to steal his trade secrets; this is the continuation of one of the constant refrains of Nazi propaganda during the war.

It is interesting to observe that, while Naumann denies with a suggestion of indignation that there is a neo-fascist movement in existence, he declares quite openly that he is an unashamed Nazi and makes a point of publishing a photograph of himself with Goebbels early in this book. Its final sentence innocently inquires why, if a former Nazi now expresses his respect for human rights, he is received with more suspicion than a former Communist like Reuter or Koestler. It would seem rash to presume from the election results of September 6th that Naumann's following is insignificant, for he implies that he and his friends will support those most capable of rebuilding Germany's strength immediately. This means voting for Dr Adenauer while disliking the CDU; later the time will be ripe for them to throw it aside and to take its place.

Russian Inertness

SOVIET OPPOSITION TO STALIN.

By George Fischer.

Harvard University Press (London: Geoffrey Cumberlege). 230 pages. 25s.

NO country invaded by Hitler produced so large a proportion of willing quislings as the Soviet Union. Hundreds of thousands performed some sort of service for the conquerors, and many times more would have done so if Hitler had not insisted on a policy of

oppression and exploitation that made any "collaboration" impossible. Some thousands of Soviet "collaborators" escaped forcible repatriation at the end of the war, and most of the Germans who had organised them survived. These Russians and Germans are a valuable source of non-Stalinist information on the Soviet Union. Mr George Fischer, son of the well-known writer Louis Fischer, spent a large part of his youth in Russia, and after the war conducted an inquiry into the wartime Russian "collaboration," with a view to examining the prospects of opposition to Stalinism within the Soviet Union.

The Vlasov movement already has a considerable literature, among which should be mentioned the long and enthralling study of the German angle by Jürgen Thorwald, *Wen sie verderben wollen*, published in Stuttgart in 1952. Mr Fischer's book is the best thing yet written on the subject. It is short, clear and restrained, and it is well worth the attention of British students of Soviet affairs.

Mr Fischer analyses the different German policies towards occupied Russia. There was Hitler's policy of massacre, starvation, conquest and settlement of Germans on Russian land. There was Rosenberg's policy of starvation for the Russians but autonomy, under German rule, for Ukrainians, Caucasians and Moslems. There was the "Utilitarian" school in the army, which wished to make use of anti-Stalinist Russian manpower without committing itself to the future. Lastly, there were those whom Mr Fischer calls "The Other Germany," men who believed in a future friendship between the German and Russian peoples, conceived in Prussian and Bismarckian terms, without Hitlerism or Stalinism. Among these was von Stauffenberg, the hero of the July, 1944, plot. General Vlasov and his men were tossed about on a stormy sea, blown by gales from all directions, unable to control their fate. The Russian Liberation Army was, as Mr Fischer shows, no more than a phantom, and when Himmler decided in the autumn of 1944 to make use of Vlasov it was too late.

Mr Fischer does not feel that this complex and tragic story justifies any firm conclusions on Russian opposition to Stalin. His own tentative view is that the main characteristic of the Russian people is "inertness," not opposition. By this he means that the totalitarian system has accustomed them to complete dependence on the authorities. They will avoid any initiative, but show great skill in adapting themselves to the demands of their bosses. When the hand of the bosses is removed, they are helpless and fall a prey to any other force. This is what happened in 1941. In fact, in time of foreign invasion, the "inertness" of the Russian people operates in favour of the invader, but in time of peace and order it operates in favour of the regime. Mr Fischer's analysis is at least plausible, and one may hope that his countrymen will give it serious consideration.

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.

New Look at Defence

Washington, D.C.

MR JOHN FOSTER DULLES captured the headlines of the world by his warning to France last week that an "agonising reappraisal" of American policy towards Europe would have to take place if France failed to ratify the European Defence Treaty. Some of the sting might have been removed from this graphic phrase if it had been pointed out that agonising reappraisal is a condition to which the American government is fully accustomed, especially in the last two months of every year, when the process of framing the budget for the fiscal year which begins in the following July reaches its climax. From October onwards the head of almost every agency and department, with his eye not yet upon Congress but upon the stern unbending officials of the Bureau of the Budget, begins to find one occasion or another to deliver an impassioned harangue or to inspire a leak on the importance of conservation, the navy, welfare or whatever his department may be, until the budget is finally completed at the end of December.

In no section of the Administration is the infighting keener than among the three armed forces. This year it has been particularly sharp. In the first place, the Department of Defence has been operating within a much more restricted framework than in any year since the outbreak of the Korean war, owing to the determination of Mr Humphrey, the Secretary of the Treasury, to balance next year's cash budget even if the conventional budget, which excludes the surplus of the social insurance system from ordinary revenue, still defies the efforts of Republican financial orthodoxy. This means a reduction in expenditure of some \$6 billion for the year 1954-55 below that of the current year.

In the second place, entirely new Joint Chiefs of Staff have been reviewing, since August, the whole basis of the strategic commitments of the United States, taking a so-

called "new look." Finally, there is the still unsolved question of the effect of the new atomic weapons (which, as Admiral Radford, the chairman of the Joint Chiefs of Staff, declared before the National Press Club recently, "have virtually achieved conventional status within our armed forces") upon the whole structure and cost of those forces.

It was natural that Mr Humphrey should look to the defence budget, which this year accounted for well over half of federal expenditure (with foreign aid, atomic energy and related security expenditures the figure was nearer two-thirds) for the lion's share of the reduction in spending.

On present predictions, which are summarised in the accompanying chart, it is clear that his fellow industrialist, Mr Charles Wilson, has not failed him. The important points about the new figures are the methods by which they have been reached, and the revised conception of American strategy on which they rest. The cuts are to be achieved principally by a reduction of manpower and money for the Army, Navy and Marines. The Air Force, on the other hand, will expand both in strength and probably in the amount of funds devoted to it.

It is obvious that this represents an amalgam of conclusions reached on two

different levels in the Department of Defence. The decision to effect a ten per cent reduction in the manpower of three of the services is that of Mr Wilson and the civilians in the Pentagon, and has been taken primarily for reasons of economy. But it also has been taken because the United States is facing a growing shortage of young men, now that it is beginning to be dependent on the children of the lean depression years, when the birth rate was low.

This fact was heavily underlined by the report last week of the President's Commission on Universal Military Training, which recommended a six months' period of military training for all eighteen-year-olds followed by service in

DEFENCE PLANS

MONEY (\$ billion)

ACTUAL SPENDING

1953/54 42.5
1954/55 38

NEW APPROPRIATIONS

1953/54 34.5
1954/55 32

MANPOWER (number of men)

ARMY

Now 1,500,000
Mid-1955 1,250,000

NAVY AND MARINES

Now 1,005,000
Mid-1955 870,000

AIR FORCE

Now 945,000
Mid-1955 970,000

the reserve, in addition to the present selective conscription system. By the same reasoning, it is calculated that the Army will have to decline by another quarter of a million men by the middle of 1957. Although Mr Wilson has been accused by certain newspapers of making the same erroneous calculations about economy and security that one of his predecessors, Mr Louis Johnson, did in 1949, he has received the public backing of the President.

On the other hand, the decision to expand the Air Force while letting the other arms shrink is primarily that of the Joint Chiefs of Staff. (Last spring the Air Force was fighting a noisy rearguard action against the economising zeal of Mr Wilson and his able deputy, Mr Roger Kyes.) It represents once again, and in response to a new set of strategic conditions, the abandonment of what, with commendable knowledge of a great English children's classic, is known in the Pentagon as the policy of "Pistol for the Rat: pistol for the Badger: pistol for the Mole"—that is of the three services receiving year after year constant shares of the available manpower, equipment and funds. The Army and the Navy have made no secret of their unhappiness at this decision. It is the more remarkable that it has been taken by a Joint Chiefs of Staff, whose chairman is not only an Admiral, but also one who was a leading opponent of the Air Force in the great debate several years ago between the carrier and the heavy bomber.

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Admiral Radford has insisted that the Joint Chiefs have not yet completed the "new look" which would carry their planning through the middle of 1957 and cannot commit themselves to more than an "interim look," which embraces only the next fiscal year. But it is fairly clear that some very far-ranging decisions have been reached. The first is that the American military establishment must be put on a basis which will render it reasonably immune to shifts in the international scene or in Congressional sentiment over the next five to fifteen years. Consequently, its financial budget must be stabilised within the next two to three years, somewhere below the \$30 billion mark and its manpower below three million men. Secondly, and as a consequence, the development of all types of atomic weapons must be exploited to the full to replace manpower by firepower wherever possible. This would be done principally by expanded airpower, but Admiral Radford was careful to emphasise in his Press Club speech that airpower comes under the control of the Navy, Army and Marines as well as of the Air Force itself.

Thirdly, it has been concluded that the Russian possession of the hydrogen bomb process places a new emphasis upon retaliatory power as the most effective deterrent to attack on the United States, and therefore upon the importance of the Strategic Air Command. And finally, the strategic imbalance of the United States, by which out of a total of twenty-three divisions it has six in Germany and another nine at the opposite end of the world in Korea, must be corrected, even if this means the withdrawal of some forces from both those theatres and their replacement either by local forces or by tactical atomic weapons.

What Congress will make of the new or the interim look is difficult to say. It will come before the legislators with all the military authority of the President himself. But Mr Wilson, who is acquiring a grudging respect in official circles for the efforts he is making to impose his

will upon the sprawling Defence Department, is not an adept salesman of policy. The Air Force is popular, but General Ridgway, who has a protest from the Army to make, is a more renowned figure than General Twining of the Air Force, and the Marines have the best organised lobby in Congress. For the moment, however, there is calm; the fight within the Pentagon has been resolved into figures and the budget rests securely in the President's brief case. It will not be long before it breaks out again.

Shifting Colonial Winds

FROM A SPECIAL CORRESPONDENT

IN the United Nations Assembly the United States has long tended to stand apart from the colonial powers; but political realities are bringing about a subtle change in this attitude. Not only does the United States now find itself needing the colonial powers as allies; it also sees its favourite self-portrait rejected by the newer nations. As an old graduate from colonialism it expected to be welcomed by them, but in the last year or two it has been finding itself pushed aside as one of the grasping and tiresome elders, and even criticised for its own colonial operations.

The experience is sobering, and United States delegates show its effect. Americans are now beginning to speak of their country's attitude toward colonial affairs as "ambivalent," which at least represents a fifty per cent shift. If American delegates do not often defend the colonial powers, they have at least become more reticent in supporting attacks on them.

Within the State Department the change has come about so gradually that the October speech of Mr Henry Byroade, Assistant Secretary of State in charge of Near Eastern, South Asian and African Affairs, which seemed to many people the announcement of an important new policy, is there said to have been merely the restating of an already accepted one. But recent experience in the United Nations was one of the factors which made its restating in emphatic form seem politic. Within the American delegation itself there is more than a hint that the ambivalence has not been resolved. Mrs Frances Bolton, a Congresswoman from Ohio, said quite flatly in the debate on Puerto Rican independence that

the Constitution of the United States gives to the Congress of the United States the sovereign and exclusive power to decide upon changes in the constitutional status of United States territories

—a statement as definite in its context as Sir Winston Churchill's remark about not having become Prime Minister in order to preside over the dissolution of the British Empire. Mr Mason Sears, on the other hand, heir of Boston's anti-colonial traditions, finds it much more difficult to square support of the colonial powers with the demands of his New England conscience. He accepts ambivalence in theory, he even explains it to the press, but his heart is in the old days when any rebel (except a Southerner) could be sure of shelter within the folds of the American flag.

Four factors are important in this shift of attitude: the educational effect of the everyday work of international affairs; the belief that the immediate danger is Soviet Russia while the vital allies include colonial powers; the general

shock of finding the United States classed among the colonial powers by newer nations; the specific shock of being attacked on the subject of Puerto Rican independence.

The Puerto Rican affair has been one of those fertile incidents with less news value than its effects warranted. Americans have felt so warmly virtuous on the subject of that island that even the attempted assassination of President Truman by a Puerto Rican nationalist was brushed aside as the inept effort of a deranged mind. Having given the country its technical freedom, and notified the United Nations that information on its affairs would no longer be supplied, America felt its hands were clean. To come thus complacent to the Assembly, and find its word about Puerto Rican independence doubted, its good faith challenged, was the kind of shock that educates fast.

At least four recent Assembly votes, two in plenary sessions and two in the Fourth (dependencies) Committee, have shown the effect of these experiences. Last year the United States abstained from voting on Arab-Asian efforts to bring the Tunisian and Moroccan complaints before the Assembly; this year it voted "no" on both. When India tried to bring consideration of Central African Federation within the purview of the Fourth Committee, the United States joined Britain in opposing the demand. When Lord Hudson tried to have debate on the subject closed, the American delegate voted for closure.

These are straws in a wind which may not yet be steady. A further indication lies in Mr Byroade's assertion that many of the Asian nations he visited last spring with Mr Dulles and Mr Stassen suffer from "a severe colonial hangover" which often takes the form of an "unreasonable suspicion of the policies and actions of western nations." The phrase had, until recently, a vestigial application to the United States. It still describes the state of mind of one big mid-western newspaper. But the important point is that this is the jocular description of a green-apple sickness from which the speaker knows he has recovered. In coining so brisk a bit of American slang to describe the state of mind of newly independent nations, Mr Byroade showed that he felt his own country had outgrown such adolescent ills.

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It is too early to tell what effect this new maturity may have on American policy in specific trouble spots. Reports suggest that certain State Department officials are fearful lest the British go too fast in granting the right of self-government to their African wards, but for obvious reasons no public statement of this fear is probable. In the immediate American orbit the Monroe doctrine still rules, but nowadays it is directed against attempts to turn weak countries into holding grounds for Communism. British and French interests in the Caribbean are taken for granted. But there still burns beneath the surface that generous, sometimes unthinking sympathy for the underdog which has been one of young America's most beguiling and cherished characteristics. The degree of youthful sympathy which has been privately expressed for Dr Jagan, like the careful hearing given to the Reverend Michael Scott on African matters, suggests how easy it might be to exploit a mis-step on the part of the colonial powers.

Official American policy walks a very narrow tightrope in these matters, wary of the future, not yet sure of public support for any change. The degree of shift which is taking

place can be measured by a closing sentence in the Byroade speech:

It will be one of the great tragedies of our time if the peoples of Asia and Africa, just as they are emerging from generations of dependence, should be deluded by the fatal lure of the new [Soviet] imperialism and return thereby to an age of slavery infinitely more miserable than they have ever known before.

The clue lies in the comparative. Americans may not publicly admit that the old colonialism had anything good about it, but at least they think it is not so bad as the alternative offered by Communism. In that lies packed a generation of learning.

American Notes

Eisenhower in the Driver's Seat

THE President is spending Christmas in Georgia, packing up the heavy programme for 1954 which he must load into his three statutory messages to Congress early in January. Last week he spent three full days, starting at 8.30 each morning, conferring with the party leaders who will have to pull the programme through Congress. Senator Knowland, who is trying to fill some of Mr Taft's shoes, Mr Martin, the Speaker of the House, the Vice-President, Mr Nixon, his deputy as president of the Senate, Mr Bridges, and others, with Cabinet Ministers and committee chairmen as required, were consulted about the details of the programme. But the President announced firmly, before the meetings began, that its principles were already unalterably established.

Mr Eisenhower thus strengthened the recent impression that in future he intends to occupy the driver's seat of the Republican party himself and that, if his Congressional supporters balk at any of his proposals, he will call on the American people for help. He actually prepared to do this last week; for the first time a presidential press conference was reported fully and directly, instead of indirectly as has been customary, and a recording was broadcast. The precedent thus set may later be extended to include the televising of these conferences, which would give the average American an even sharper impression of the sincerity of the President. Mr Eisenhower went on to make it clear that the programme being considered at the Congressional consultations was his personal responsibility. Strict secrecy was imposed on those attending, apparently with more success than usual, and the official statements on the proceedings were made by the President himself.

These statements showed, as might have been expected, that the programme is to follow the middle of the road, but little was revealed about its contents. Indeed, it has not yet been decided exactly what is to go into some of the more difficult packages—farm and foreign trade policy, for example.

The only definite announcement was that the Senate is to be pressed to raise the limit on the national debt at once. New laws to facilitate the prosecution of subversives and criminals are also high on the list, as is a limited relaxation of the restrictions on the exchange of atomic information, something which Senator Hickenlooper for one seems sure to oppose. Representative Taber is another who has no objection to opposing the President, at least when it is

"Now Knowland, Now Martin, Now Bridges And Nixon"



Herblock in the Washington Post

for the sake of balancing the budget, which he is sure can be done.

In an election year Democrats will feel less like coming to the President's rescue than they did at the last session and he hardly added to their willingness when he opened his party consultation with a list of Republican accomplishments in the past year. This included taking credit for next January's tax reductions, which were originally planned by the Democrats, and for a number of other successes which might more suitably be treated as non-partisan matters, such as stopping the shooting in Korea, strengthening the free world against Communism and helping farmers afflicted by drought.

All Quiet at Fort Monmouth

BEFORE the Harry White case swept all other spy stories off the front pages, there was an impression, based on Senator McCarthy's breathless daily bulletins and fostered by the Army's haste in taking cover, that a flourishing spy network had been uncovered at the Army's

radar research centre at Fort Monmouth, New Jersey. The return to duty of twelve of the thirty-three employees who had been suspended and the fact that Mr Stevens, the Secretary of the Army, plucked up courage last month to announce that whatever might have happened during and after the war, no cases of current espionage had been found, suggest that the reports were grossly exaggerated. Unfortunately, Mr Stevens, after lunch with the displeased Senator, qualified his statement to read that the Army had not found any spies, leaving the tactful implication that Senator McCarthy might have been more successful. The persecution of Brigadier General Telford Taylor, who dared to denounce the McCarthy hearings, has shown what can happen to those who defy a Senator who has his agents in key government departments. But it is significant that the Senator's own enthusiasm for the Fort Monmouth case has moderated and that he is shifting to fresh pastures in private industry.

True, three weeks of open hearings produced a parade of witnesses who invoked the protection of the First and the Fifth Amendments and refused to say whether they had been or still were members of the Communist party. But few of them are still employed at the centre and no charges of espionage have been filed. The Senator himself—though at the hearings he assumed that a refusal to answer questions was tantamount to a confession of treason—now says modestly that it is not his job to do the work of the Department of Justice, but simply to indicate "potential espionage" and to alert security officers. As most of his material seems to come from the files of the Army and those of the Federal Bureau of Investigation on the Rosenberg case, to which it is suspected he had access, it will hardly set the alarm bells ringing. But the American Federation of Scientists fears that the hearings have dealt a damaging blow to research essential to the defence of the United States.

In examining the records of private companies who do work for the government, Senator McCarthy will have competition from the two other Congressional investigating committees. The General Electric Company, which is Mr McCarthy's present target, has announced that it will employ no Communists or proved spies, and has suspended employees who refuse to answer his questions; it suggests that the government might investigate their loyalty, as it already does that of workers on secret defence projects. The Defence Department's top security officer would like authority to ban "security risks" from all plants vital in war-time. Few Americans, at this rate, will escape a security dossier by 1984.

Truce on Social Security

OF all the programmes outlined to his party by the President, none seems more certain to be carried out at this session of Congress than the plan to raise the benefits paid under the federal old age insurance scheme and extend it to 10.6 million workers who are now excluded. At present just over 47 million are covered, out of a labour force of 63 million. Old people also would be allowed to earn more before their benefits were affected. Politicians of both parties are anxious to win the goodwill of the voters on this non-controversial score. Only the doctors, of the 6.4 million

workers who would be required to join, seem to object; the rest include farmers and farm labourers, some domestic servants and the professional self-employed. Ministers of religion and employees of states and cities would be allowed to join if they wished.

This does not mean that there is not a fierce dispute about the enthusiasm of some Republicans for the proposal of the Chamber of Commerce that the present "insurance" features of social security should be scrapped and a complete pay-as-you-go plan adopted, with minimum pensions for everyone over 65. The President has shown some interest in this new approach, and Mr Curtis, the chairman of the House Social Security Sub-Committee, used to be a convinced advocate of it. After holding hearings, however, Mr Curtis has been converted to the view that any changes next year must take place within the existing framework. Insured workers are indignant at the thought that their savings in the trust fund might be raided for the benefit of old people who have paid no contributions and hence are dependent, today, on state old-age assistance; and they are afraid that under a system which depended entirely on current tax-receipts, their benefits might suffer.

What will cause some trouble is the question of whether the rise to 2 per cent in the pay-roll tax paid by workers and their employers, which takes place in January, should be rescinded. It will bring in another \$1.7 billion a year and improve the government's cash position in a deficit period and, in the view of such austere Congressional financiers as Mr Reed, the chairman of the House Ways and Means Committee, is essential to the long-term stability of the social security trust fund. But the fund has a substantial surplus at present, and the Administration fears that, if social security contributions rise just as taxes are reduced, the lower paid workers, whose pay packets will be smaller instead of larger, will not show their gratitude for the tax cut when they go to the polls in November.

Colour for Christmas

THE Federal Communications Commission has given the television industry a handsome Christmas present—permission to go ahead at once, after nearly three years of controversy, with commercial transmissions in colour by a system which has been worked out co-operatively by the industry; the outstanding advantage of this system is its compatibility, which means that programmes can be received in black and white on the 27 million television sets now in use in the United States. But it will be next Christmas at least before many viewers will be able to enjoy the FCC's present: that colour television is enjoyable is almost universally agreed. It will take several months to put colour receivers on the market and if total output in 1954 reaches 100,000—only two sets to a dealer—many observers will be surprised.

These sets will cost from \$700 to \$1,000 each and will have only 14-inch screens; black and white sets can be obtained today for as little as \$200 with the desirable 21-inch screens. It will be a long time before colour sets, even when mass-produced, are as cheap as this, for the special colour tubes are very costly. This is the main reason why manufacturers feel that converters, to enable existing sets

to receive in colour, would be too expensive to appeal to the public. Many consumers have been postponing their television purchases until colour sets are available and to dealers the FCC's announcement brought not cheer but the collapse of their hopes of getting rid of burdensome stocks by last minute Christmas sales. Nevertheless it is thought that when consumers realise how long they will have to wait and how much they will have to pay for colour sets they may decide that black and white is acceptable after all.

How much colour there will actually be on the television waves in the near future is another question. Experimental transmissions by the National Broadcasting Company have already brought opera into the home and New York programmes on to Californian screens very satisfactorily. This network and its deadly rival, the Columbia Broadcasting System, were both on the air with colour programmes before the FCC's ink was dry. But a few colourful hours a week is all either of them can promise, for colour cameras and equipment are not yet available in any quantity. Even when they are, it will cost at least \$400,000 to fit out a studio for colour; this is something that few local stations can afford. Luckily the equipment needed to rebroadcast a network programme in colour can be had for as little as \$25,000 or so. Another difficulty is that advertisers, already finding the costs of television excessive, will hardly be willing to pay even more for colour until they can be sure of a substantial audience with colour receivers. However, similar problems in the early days of monochrome television have largely been overcome and already substantial technical progress has been made with possible, even if partial, answers, among them NBC's tape recording of colour transmissions, CBS's cheaper tube, and reception by subscription.

SHORTER NOTES

As expected, farmers in the twenty cotton-growing states have agreed, by an overwhelming majority, to the imposition of acreage and marketing quotas on their 1954 crop which, it is hoped, will reduce their harvest from 16.3 million bales this year to 10 million next. But more intensive cultivation may well upset this programme; when controls were last imposed, in 1950, the yield an acre went up from 634 pounds to 805. In any case, the full reduction, of about 30 per cent, in acreage is considered to be too severe to impose in a single year and Congress is likely to increase the quotas when it meets in January.

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The "marketing criteria" in the Department of the Interior's new contracts for sales of electric power to rural co-operatives in the Missouri Basin area (discussed in the last issue of *The Economist*) have been revised to such an extent that they may after all not be challenged in the courts. The revisions, which the Department calls "clarifications," but others regard as capitulations to the protests of local consumers, extend the deadline for estimating future requirements of electricity, and guarantee that power not needed immediately by public consumers will be sold to private companies on short-term contracts only.

The World Overseas

Report on Southern Asia

ATE has forged a strange link between the Korean war and the Colombo Plan. As readers are now reminded by the second annual report of the Consultative Committee on Economic Development in South and South-East Asia, published after the Delhi meeting in October, the first session of the Committee was held in Sydney in May, 1950. One of that year the North Koreans sprang at the throats of the South and for the next few months a worldwide scramble for raw materials sent prices giddily upward. At the time the starting date for the six-year Colombo Plan arrived, on July 1, 1951, no one in South-East Asia knew where they were. Was six shillings a pound worth value for rubber than two? Should tin be counted at £1,400 a ton or less than half as much? Was the market price of raw jute to be nearer Rs200 a bale or 100? Never had the background for long-term economic planning been more awkward or uncertain.

Now the boom has been followed by a slump. Two full years, or one-third of the Colombo Plan period, have gone and during this time the world's view of the Korean war and its probable consequences has turned full circle. The struggle no longer looks like the start of a world war; it has even been brought to an uneasy truce. The prices of some—though not all—raw materials are back near the levels from which they took off in 1950. And the countries of South-East Asia, compelled to plan—if they were to plan at all—not only at the mercy of surging and uncontrollable economic forces but with brand new governments, have been left with a challenging and difficult situation to clear.

Burma alone in South and South-East Asia has enjoyed marked improvement in its terms of trade during the past 10 years; indeed, there was an improvement even in the twelve months ending June 30, 1953, with which the present Colombo Plan report is mainly concerned. In this period all the other countries of the area have suffered from a sharp fall in the value of their exports, a consequent contraction in their imports and—since most of their government revenues lean heavily on export and import duties—an important reduction in their own ability to finance the development projects drawn up under the plan. The reverse trend in the terms of trade has hit India and Indonesia hardest, making them some 9 per cent worse off than they were in 1948. Ceylon and Malaya are still above the level of that year, when rubber, the most depressed of all raw materials since the war, stood at only one shilling a pound, a price even lower than that ruling today.

The fall in commodity prices has meant a fall in national incomes. This, in the words of the report, has "caused rather widespread economic distress and the contrast with the previous high expectations [has] produced a general feeling of frustration and bewilderment." Particularly affected have been the smallholders and all whose livelihoods depend on agriculture; there has also "been some increased unemployment, for example, in urban areas in India." At the same time, the boom had led, in the world as a whole, to a general rise in the prices of capital goods and, in the area itself, to a rise in the average level of wages.

These increases have by no means been cancelled out in the commodity slump that has followed. Nor are they likely to be. Consequently, while the costs of carrying out the original development plans have risen, the resources from which they must be met have relatively declined. The whole concept of the Colombo Plan in fact has run into greater difficulties than might reasonably have been expected. It is, therefore, no small tribute to the governments concerned that nearly all of them managed to keep up the impetus of development and to spend rather more on their programmes in 1952-53 than they spent in 1951-52. The price, however, has been a severe reduction in external assets and internal reserves, and the appearance of a bigger question mark than ever over the future. If the improvements in the standard of living originally planned are to be achieved, one of two things must happen. There must either be greater temporary sacrifice on the part of the peoples themselves, or there must be an increase in the amount of external aid which in any case has never been guaranteed as adequate to close the gap between intention and availability.

The primary reason for Burma's relative economic success has been that it alone is endowed with a large food surplus, and that the price of rice is only now beginning to weaken; decreases in the value of other Burmese exports have been much more than offset by the buoyant rice position. This could not have been sustained, however, if the country had not made substantial progress in other ways, particularly in the political sphere. In the past eighteen months, the government has extended its writ over most of the country for the first time since independence. This has raised general economic output by a quarter; in 1952, for instance, as much as 633,000 more acres were sown to paddy than in 1951. And the government, in spite of some over-optimistic planning, has undoubtedly been adroit in diverting much of the extra economic potential into

its development programme. Approximately a quarter of all imports have been capital goods.

The two largest members of the Colombo Plan, India and Pakistan, have not been so fortunate. In each, however, the government has taken determined, if sometimes tardy, steps to meet its difficulties. In 1952-53 India converted the previous year's payments deficit of Rs1,536 million into a surplus of Rs551 million; but the total volume of trade was considerably less, and the previous year's losses had been financed only by drawing down the sterling balances and through the American wheat loan. In Pakistan a calamitous situation arose over the balance of payments as a result of the combined shrinkage of export earnings and the failure of the monsoon; the budget, on the other hand, has remained in balance on current account. In spite of their difficulties, however, both countries have pushed ahead with the expansion of their development expenditure. Indeed, in so far as India and Pakistan contain considerably more than half the population, wealth and economic capacity covered by the Colombo Plan, the general picture of progress presented in the current report owes much to their efforts.

Communist Competition

After discussing with commendable frankness the difficulties and setbacks of each country in turn, the report summarises their main achievements in the three key fields of agriculture, power and communications. "At the present time," it says, "the programmes . . . may be considered as having generally passed out of the stage of preparation and into that of execution." Economic returns, that is, may begin to be looked for in such developments as Ceylon's Gal Oya scheme, Indonesia's approach to self-sufficiency in food, the Connaught Bridge Power Station in Malaya, the new motor road into Nepal, Burma's reclaimed land, the many multi-purpose water projects and new factories going up in Pakistan and India.

There can be no question that the existence of the Colombo Plan and the organisation which has now been created in each country to further its designs have given a fresh impetus and a useful cohesion to the economic growth of the area as a whole; the unprecedented collation of economic information and the work of the Technical Co-operation Committee are alone worth a great deal. But whether the growth is fast enough and whether the present rate can be effectively maintained are two quite different questions. It is one thing to set a chain of economic development in motion, another to ensure that its purpose and its extent can be neither twisted nor denigrated by Communist propaganda. The Colombo Plan was conceived as a genuine attempt to further the well-being of South and South-East Asia, and it is a matter of great pride to its Commonwealth sponsors that, in one form or another, all the countries of the area now participate. With the end of the Korean war, however, the Communist powers are in a position not only to press on with shop-window development in China and Manchuria, but to make temptingly deceptive offers of Russian capital goods in trade agreements with South-East Asian countries. In spite of all that has been achieved, therefore, the lesson of the present report is that, if the Colombo Plan area is to hold its own against Communist economic propaganda in the next few years, it will almost certainly need more assistance from outside than any yet offered.

American Aid for Europe

IN the tumult that arose last week over what Mr Dulles had to say about the consequences of failure to accept the European Defence Community (EDC), one crucial point received insufficient notice. What is the American Congress likely to say if the EDC does not materialise? How much will it be prepared to grant Europe in the way of future military aid, and on what terms?

Earlier this year US legislators had already grown so impatient that they attached an amendment—the so-called Richards amendment—to the 1953 foreign aid appropriations, stipulating that 50 per cent of the arms manufactured for the six EDC countries must go to the Community Army and to it alone. If, however, EDC came to nothing, then Congress would decide how to dispose of the arms on the President's recommendation. Had the House of Representatives been left to itself, the appropriations would have been even more circumscribed; but the Senate intervened and this relatively mild version was the outcome.

Many of those who are aware of the Richards amendment have been inclined to treat it lightly. They argue that the arms provided by the 1953 appropriations will not exist until 1955 or even 1956, and it will be time enough then to settle their destination. Their complacency ignores two important clouds on the near horizon. Some of these arms—for example, ammunition—may be ready for shipment well before 1955 and, what is more important, Congress will start in the New Year to consider the appropriations for 1954.

Headaches for Nato

Last year Representative Richards found widespread support when he urged:

If the EDC is dead, then it is folly to continue to appropriate billions here to furnish arms for the individual countries where there is no will to bury past differences and to unify. We could better use the money in other countries of Europe such as Turkey, Spain and Germany . . . or use it to strengthen our own defences here and abroad. Mr Dulles's warning that failure to ratify EDC would compel the United States to face an "agonising reappraisal" of its policy seems pallid beside the forthright declaration of Representative Richards.

This would be an unfortunate moment for Congress to balk at extending further military help to Western Europe and in particular to the EDC countries. For many European nations, having built up their forces only with very substantial assistance from the United States, now discover that they may soon be faced with a problem that will require further American help and good will. The most pressing question ahead is how these countries are to finance the maintenance of the forces and equipment already in being, how they are to pay for such items as spare parts and replacements. No one has yet estimated the exact dimensions of this burden, but it is already quite clear that the required outlay will soon become one of the major items in European military budgets.

Because so little is known about the dimensions of this potential problem, the North Atlantic Treaty Organisation (Nato) plans to make it the subject of very thorough

investigation and analysis during the coming year. Indeed, this question will provide Nato with one of its primary exercises in the realm of economics, although it will involve some careful calculations of a political and military nature as well. Nato officials will have to ask themselves—and find answers for—such questions as: what is the peace-time rate of attrition of the weapons now in use? How quickly should certain military equipment be written off as obsolete? Suppose, for example, that in 1957-58 it is decided to replace current weapons very largely by less conventional atomic types—who will pay for them and where shall they be manufactured? How large a war reserve should the Nato forces maintain?

The US Administration is well aware of what these investigations may yield, and it has no desire to lower the guillotine on American aid in 1956 or in any future year, if further help proves necessary. But what Congress says and does is another matter.

Beria's Path to the Dock

THE days of Lavrenti Pavlovich Beria are clearly numbered. Whether it be preceded by a hideous public show or by a "trial" behind closed doors the final act of his drama is drawing to an end. The statement last week from the State Prosecutor's office gave a foretaste of the official obituary notices. Even in the chequered history of the Soviet regime never has a man fallen so quickly from such a high pedestal. What an extraordinary contrast between the paeans to "Georgia's beloved son" and "Stalin's close collaborator" fashionable not so long ago, and the epithets of "traitor" or "agent of foreign imperialism" now coupled with Beria's name. On the palimpsest a new version is written in black, distorting letters. What, in fact, has been Beria's career?

Beria's adult life was entirely bound up with the Soviet regime. He was born in 1899 in the village of Merksuli, in the Sukhum district of Georgia. The official history has it that he came from poor peasant stock, but his parents could not be so very poor, since after finishing at the local school in Sukhum he proceeded with architectural studies at the technical high school in Baku. Again according to the official story, he joined the Communist Party as early as 1917 and he clearly must have been prominent in local politics, since four years later he was appointed deputy chief of *Cheka* (the original name of the Soviet security services) in the Azerbaijan republic.

Thus Beria became a security specialist and entered on a path he was to follow for over thirty years. At first his career, if rapid, was not startling. He climbed the ladder of the Soviet hierarchy. He became successively head of the security services in his native Georgia and then for the whole of the Caucasus. By 1931 he was also Georgia's first secretary, that is to say, the political boss of the country. Throughout, he combined the tasks of the policeman with those of the economic overseer. He directed the struggle against the local *mensheviks* and then against the opponents of the Stalinist regime. At the same time he watched over agricultural development and the oil production of Baku.

At the age of 35 Beria was a power in his region, but

almost unknown outside. But Stalin was watching over his native Georgia, and Beria received his first reward for his struggle against the opposition. In 1934 he was elected to the Central Committee of the All-Union Party and thus emerged on to the broader stage. The next year he produced a book which did much to foster his career. It was a history of the working class movement in the Caucasus, which ascribed to Stalin a role in the revolutionary movement well beyond his actual achievements. Stalin saw that his fellow-Georgian was not only efficient, but also faithful and reliable. Two years later he was given the real prize. When in 1938 the regime of bloody and blind terror was beginning to defeat its own ends, Beria was called to replace Yezhov as head of the NKVD and to prevent the executioners from running amok.

In this way Beria's name was associated for the first time with the liberalisation of the police regime. Not that the NKVD suddenly became a philanthropic institution, but the arrest of the mad purges of the Yezhov era was a great relief for the whole country. Many people were released from jails and camps. The reign of uncontrolled terror was over, and at the same time Beria climbed to the top of his profession and to one of the most powerful posts in the country. During the war he was a member of the inner defence committee and was responsible for security in the rear and later for security in the armed services as well.

A year after the end of the hostilities Beria had climbed as high as anyone could during Stalin's lifetime. A bemedalled marshal, he was appointed vice-premier and a full member of the Politburo. He had relinquished the ministry of internal affairs (MVD) which was subdivided into two separate branches: internal affairs (MVD) and State security (MGB). Sergey Kruglov who inherited the former is now Beria's successor; Vsevolod Merkulov who became head of the latter—is now Beria's fellow prisoner. But at the time it was assumed, probably rightly, that Beria was supervising internal affairs from his posts in the cabinet and the Politburo. It later turned out, however, that in the last days of Stalin's life Beria's control was slipping. Though his face with the characteristic *pince-nez* could still be seen in all official photographs next to Stalin and Malenkov, some moves started by the security police were not of his making and were probably aimed at him and other prominent figures. New and tough policemen were getting the upper hand and carrying out a nationalist "vigilance" campaign. The arrest of Jewish doctors accused of poisoning Zhdanov and of similar attempts on army leaders looked like the prelude to a new wave of bloody purges. Then came Stalin's death and the group connected with Beria struck back.

Struggle Behind Closed Doors

After March 5th the speed of events rapidly increased and for a hundred days Beria occupied the centre of the stage. It was he who proposed Malenkov for the premiership, and Beria's name was always second in all official announcements. He took over the reunited ministry of internal affairs and once again his advent spelt the beginning of a milder course. The vigilance campaign was stopped, the doctors released. The security men in charge of the "plot" were in turn accused of having extracted false confessions by unconstitutional means. Soviet citizens were suddenly reminded that they had constitutional rights, and this was a big jolt to the self-confidence of the policemen.

Beria was thus undermining the powers of his own organisation. The process spread from Moscow to the outlying provinces and there the tough security men were in addition accused of forcible Russification. Born in the Caucasian melting pot, Beria has always been fascinated by the national problem and he must have come to the conclusion that a Russian fist was not the best method of knocking together the Soviet nationalities.

Beria alone cannot get the credit for all the moves sketched out after Stalin's death. Alone he would not have had sufficient power. In theory the Kremlin was acting as one, but a deadly struggle was being waged behind closed doors. The outside world could get only glimpses of it, such as the sudden resignation of Malenkov from the secretaryship of the Party in favour of Nikita Khrushchev. Then came the June rising in Berlin which must have strengthened the hand of the Soviet opponents of a policy of concessions and reform. A few days later Beria was absent at a theatrical performance attended by all important personalities.

On July 5th came the biggest political bombshell since Stalin's death: Beria was arrested as foreign agent who had attempted to foster bourgeois nationalism and to restore capitalism. After the liberal interlude the spectre of the Moscow trials was resurrected. Then for six months little was heard of Beria and only the purging of his men revealed that the "Beria clique" was being crushed. A policeman linking his fate with the forces of reform always takes a great risk since it is easy to present his fall to the public as a victory for freedom. Beria now faces the supreme penalty for his audacity. The tougher security men and their allies, who have succeeded in crushing the ambitious Georgian, must hope that this marks the end of a chapter. It is more likely to be but a prelude to new upheavals which may shake the foundations of the post-Stalinist regime.

Crisis Over Port

BY A CORRESPONDENT RECENTLY IN PORTUGAL

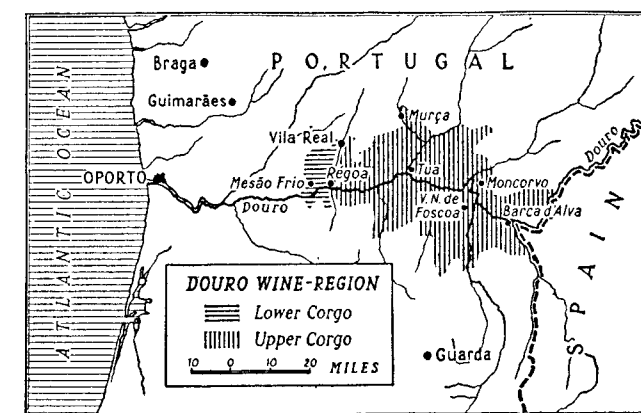
IT is a long way from the terraces of the Douro to the English suburban home or dockside pub, but there is a close economic tie. Fifty years ago, port wine was drunk after dinner in Southend, Sydenham and Stoke-on-Trent, and by the "dock glass" in Limehouse and Liverpool. Twenty years ago, Britain was still drinking 40 per cent of the wine produced in Portugal, and port accounted for a fifth of Portugal's exports. Since then fashions and excise duties have changed. The volume exported is down by half, and its value to 6 per cent of exports from Portugal, while Britain now takes less than a third of this smaller quantity.

The name *Vinho do Porto* is strictly defined and protected by Portuguese law. The wine must be made from grapes of recognised types grown in the demarcated wine region of the upper Douro; it must be treated with approved grape brandy (now supplied through a state monopoly); and it must be stored in one of the lodges at Vila Nova de Gaia across the river from Oporto. The shippers—there are about 80 of them, with one British firm handling some 14 per cent of the trade—must belong to the official guild, through which is fixed, in August of each year, the

amount of wine to be treated in the coming vintage. Each shipper must treat a certain minimum quantity to preserve his export rights; and he must also submit his wine to testing.

Some shippers have their own vineyards, but most of the grapes are bought from small farmers, of whom there are many thousands in the wine region owning tiny terraced holdings where they grow practically nothing but vines. The total wine-making capacity of the demarcated region is between 100,000 and 150,000 pipes a year. In 1953—and this indicates the severity of the crisis in the trade—the quota fixed for treating was 25,000 pipes, equivalent to rather over 30,000 pipes of port wine when the brandy has been added. (A pipe for wine-making may hold up to 140 gallons; an export pipe is 118 gallons, or about 5.4 hectolitres.) The purpose of the quota is to keep up the prices paid to the growers; wine not sold for treating is bought by the Government at a lower price, either for sale as such or for making into brandy, but this does not compensate for the shrinkage in demand for port-making.

Very little port is drunk in Portugal, except by foreigners. It is, and always has been, chiefly an export commodity. Before the war Britain and France were the biggest customers, with Germany a bad third, but all three are now taking considerably less. In Britain and Germany dry



wines are more favoured without great regard for price (thus in Britain dry sherries, though carrying the same rate of duty as dark sherries or port, have held their sales much better) and people have not grasped that port can be a dry wine. In France, where port is drunk as an *apéritif*, imports are limited under the "contingent quota" system, but each year's quota is taken in full and the shippers believe that much more could be sold. Belgium, on the other hand, has risen since 1946 to second place as a customer, and the Scandinavian countries (where they offend the purists by mixing port with beer) are also buying considerably more. Sales to the United States were negligible before the war, and in 1952 were still under 2 per cent of the total exported; the discriminating market in the United States is very small, and true port cannot compete among the wider public with the Californian "port," which is said to offer the cheapest way of getting drunk. The Government and the Port Wine Institute have not lost hope of increasing exports to the United States, but the shippers are sceptical and unwilling to finance the costly advertising campaign that would be needed.

But it is the fall in the British trade that most shippers regard as the real cause of the crisis. The Portuguese Government and the Institute have financed an advertising

campaign to popularise dry port before dinner, port when the washing-up is done and the television switched on, even white port iced in the summer—a two-edged sword, since several of the shippers are in the sherry business too. Everyone, Institute and shippers alike, hopes for a reduction in the duty on heavy wines from the present 50s. a gallon to something nearer the 8s. 6d. of prewar days. There is a touching faith that even a partial cut would make a dramatic difference to sales, and would compensate the Chancellor for any loss of revenue by raising incomes in Portugal and so helping British exports. But it would take more than any reduction he would find feasible to restore port-drinking to its former position in a Britain that has lost the habit.

Security in the Pacific

ANZUS has held another conference in Washington, and in speaking about it in the House of Representatives in Canberra, Mr Casey went out of his way to emphasise that there was no prospect of a wider security alliance in the Pacific which would correspond to Nato on the other side of the Soviet bloc. The necessary political conditions for it, he said, did not exist, because states that might be brought in were not willing to undertake the precise obligations which would be required for such a partnership. At the same time he maintained that the Anzus agreement had proved of great value to Australia and did not exclude Australian co-operation with the United States in the latter's other commitments.

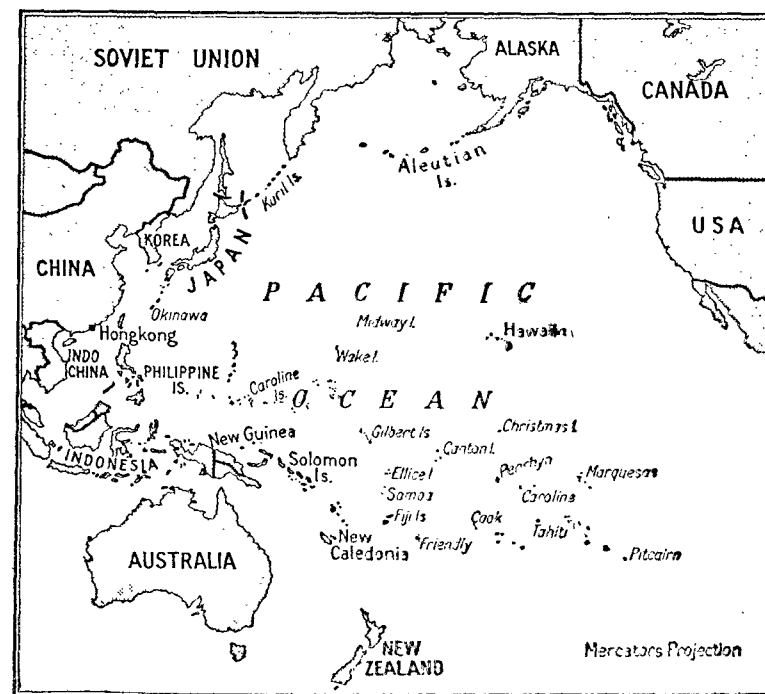
Great as are the difficulties in the way of any organisation in the Pacific comparable to Nato, Mr Casey's attitude seems somewhat unduly complacent, for Anzus, useful though it may be in itself, belongs essentially to what may be called the third line of defence in the Pacific, and would hardly become operative as an alliance in war unless the first two lines had been lost. In the last war Australia was not itself directly threatened until the Japanese had landed in New Guinea and sent a squadron into the Coral Sea; New Zealand did not see the enemy nearer than Guadalcanal. Australia and New Zealand were only uncovered to direct hostile action because the Japanese, starting the war with a powerful navy and in possession of the Mariana and Caroline Islands, succeeded in taking Indonesia, the Solomons and part of New Guinea by overseas expeditions before they could be checked.

Today, the situation is rather different. The Russo-Chinese alliance does not dispose of naval strength in the Pacific comparable to that of Japan in 1941, and its capacity for long-distance overseas invasion may be assumed to be much less; further, the United States now holds the former Japanese island chains to the north of New Guinea and the Solomons, thus forming a barrier across the north-eastern approaches to Australia which would have to be pierced before an enemy from Asia could again arrive in the

Coral Sea. On the other hand, the possibility of hostile approach from the north-west is no less than it was at the time of the Japanese conquests, and potentially perhaps even more dangerous. The main threat of expansion of the Russo-Chinese bloc is on the mainland of south-east Asia, where China can directly support Communist-led local forces, and, in the event of war, move armies overland; the countries concerned, which have no sea protection—except for a certain possible use of sea-power for interception at the Isthmus of Kra—are Indo-China, Siam and Malaya, and these countries may be counted as being in the first line. Further north, Korea is also part of the Asian mainland, as the world has good reason to remember, and the Hokkaido, the most northerly of the larger islands of Japan, could be invaded from the north across narrow straits from Russian-held Sakhalin and the Kuriles.

But Japan as a whole, Okinawa, Formosa, the Philippines and Indonesia all have protective sea-moats more or less wide, so that if they were held by well-equipped and politically reliable military forces with adequate air and naval cover, it would be difficult to attack them from the mainland. They form the second line of defence. The doubts which arise with regard to this zone are more political than strategic; important Communist or fellow-travelling elements exist in these countries and could in time of war be co-ordinated with airborne landings from the mainland—a form of warfare which under modern conditions can be used against offshore islands even without command of the sea. Of these second-line insular territories, Indonesia would probably be the most vulnerable to such a combination of internal and external violence if the south-east Asian mainland had fallen. If the nearer islands were to be taken in whole or part from the mainland, Pacific defence would then be back on the third line consisting of Australia and the oceanic island groups from Hawaii westwards—a situation very similar to that of 1942 except that Saipan and Truk would be from the start in American hands.

From the foregoing survey it emerges that the strategic situation in the Pacific and the Far East is very different



from that in the North Atlantic and Europe; in the latter case all the countries on the eastern side of the Atlantic except Britain are continental, whereas on the western side of the Pacific most of the countries concerned are insular—Japan, the Philippines, Indonesia and Australia. On the other hand, it is precisely the mainland countries forming the first line which are at once most endangered and least protected by any wide system of collective security. The United States now has an alliance with South Korea which commits it to go to war again on the Asian mainland if this ally is again attacked, but there is no American commitment with regard to South East Asia; supplies are being sent to Vietnam and to the French forces there, but nobody knows what America would do if there were a French collapse in Indo-China—or a crisis in France forcing a withdrawal from Indo-China on terms amounting to the line of fire, with Malaya hardly tenable if a “people’s republic” were to be established in Bangkok.

At present the United States has formal defensive pacts with Japan, South Korea, the Philippines and Australia, but none of the latter have obligations towards one another. The United States has no formal obligations (apart from general liabilities under the United Nations Charter) in the event of an attack on Malaya or Hongkong, and any assistance that Australia might render would be given as a member of the Commonwealth, not of Anzus. No country has any formal commitment of military aid to Siam. But it must be asked whether this obscure and indeterminate situation means that each country would be left to its own devices in an emergency or whether some kind of joint action would in the last resort be taken, at least by the United States, Australia and Britain together, to prevent “creeping conquest” in South East Asia.

Boost for New Zealand Wages

FROM OUR WELLINGTON CORRESPONDENT

THE average New Zealand wage earner is beginning to realise that more money in the pay packet is not the only answer to cost of living problems and that an arbitration court that controls minimum (but not maximum) wages without controlling prices, creates its own problems. Until this year the New Zealand Arbitration Court was obliged, when making its periodic revisions of wages, to consider the general economic effect on the country of general wage variations. Under trades union pressure, however, this obligation was removed earlier this year. Thus the court was strictly within its rights when, last month, it decided its latest general wage order on the demonstrable discrepancy between increases in wages over the last twelve months and increases in the cost of living.

The court's order authorised the equivalent of a 10 per cent increase in minimum award wages, with a limit of 24s. a week. It was made retroactive to September 15th when the wage negotiations were officially begun, and employers were told that they are under no compulsion to pay the increase on anything but minimum wages. This provision, of course, means very little; for if margins are to be maintained, most employers concede that the increase will have to be extended, at least partly, to workers already receiving more than minimum rates. The retroactive effect of the

order will also create considerable burdens and problems for it means that all employers will have to find at least nine weeks' back pay in a lump sum and if possible, distribute it before Christmas. As a result holiday and Royal Tour spending will be considerably stimulated, but the subsequent hangover is likely to be correspondingly severe.

The Government, as the largest employer in the country (it now employs something over 100,000 people) will have at least another £8 million added to its annual wages bill and it will undoubtedly be faced with an immediate demand for commensurate increases in pensions and some social security benefits. The farmers, who are undoubtedly in the best position to absorb the increase, have already had their guaranteed butterfat price raised by 2.15d. a lb which means, among other things, that each pound of butter eaten in New Zealand will be subsidised by nearly 1s. 4½d. to keep it at the present retail price of 1s. 8d. a lb. Unless the butter subsidy is decreased, which might be bad political medicine, it will in future cost New Zealanders over £5,750,000 a year to convince themselves that they can still eat their own butter cheaply.

The Federation of Labour had asked—obviously with its tongue in its cheek—for an average increase of £2 4s. 5d. a week in wages. The 10 per cent increase it received was obviously more than any but the most sanguine of its advocates had expected and correspondingly more than the most pessimistic of its opponents had feared. The employers had argued that an increase of 3½ per cent, or possibly of 5 per cent, would have been adequate and that if it had been kept to that modest level, a good deal of it would have been absorbed instead of being passed on. Faced with a 10 per cent increase however, there is no doubt about the employers' decision to pass it on. Immediately the wage increase was announced, retail and wholesale prices began to rise, and they are still rising. The Government, which has been steadily reducing price controls, is now anxiously considering what remedial checks it can impose.

It is much too early yet to predict how much, if any, of the 10 per cent increase its recipients will retain; but on present indications it is unlikely to be very much. Some dim realisation of this possibility is obviously dawning, for there is a noticeable lack of jubilation about the wage rise in quarters where it might be expected. Though the court expressed a pious hope that the increase in wages would result in an increase in production, there is little to suggest that the hope is likely to be realised.

The increase will undoubtedly provide one more set-back to New Zealand's house-building programme. The Government recently made some efforts to stimulate this, but the major factor is still cost and builders estimate that the new wage scale will add at least £100 to the cost of a £3,000 house. The Government could diminish the inflationary effect of the wage increase by tightening bank credit but this would again affect house-building prospects and is likely to be judged politically inexpedient with an election less than a year away.

It is difficult to see how the order can have anything but an inflationary effect and offset some of the efforts that have been made to restore more value to the New Zealand pound. Already suggestions are being made that the present system of wage fixing should be overhauled, but it seems unlikely that they will be considered seriously. The trade unions appear to be firmly, though not necessarily happily, wedded to the court, and if the Government has any alternative suggestions, it is keeping them to itself.

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THE BUSINESS WORLD

Scotch Galore ?

THE free market for Scotch whisky, which has been in abeyance for almost 14 years, will, on paper at any rate, be restored on January 1, 1954. At least, the practice of allocating Scotch whisky between the home and export trades by annual agreement between the Scotch Whisky Association and the Government, and the rationing of home supplies resulting from these agreements or from the imposition of quotas by the association on its members, will cease. The industry has undertaken to continue its export efforts, but it is once again free to develop the home trade. The situation that faces it is very different from that of 1940.

Whisky's home market has almost halved. In 1938-9 it took 6.9 million gallons; in 1951-2 only 3.5 million. In 1938-9, whisky supplied nearly 70 per cent of the home consumption of potable spirits—10 million gallons—while gin, rum and brandy were far behind. The diversion of Scotch to earn foreign currencies, especially dollars, during and since the war, gave its rivals their opportunity. Indeed, in 1949-50, gin overtook whisky. In 1951-2 whisky recovered its lead, but it supplied only 40 per cent of Britain's total spirit consumption of 8.9 million gallons, and gin remained a close runner-up.

Secondly, the industry is now much more dependent on exports. In 1938-9, 6.9 million gallons, out of a total of 14.6 million gallons of Scotch consumed in the world, were sold at home; in 1951-52, only 3.5 million out of a similar total. The home base has shrunk from almost 50 per cent of trade to barely 25 per cent.

Thirdly, whisky stocks have at last been rebuilt to prewar levels, but their age-composition is very different. At law, Scotch may not be sold at home (and in some other countries) until three years after distillation. In practice it is normally matured for six or eight years, and sometimes for 12 or 15 years. Restricted supplies of cereals reduced distilling from

30 million gallons in 1938-39 to nothing in 1942-43 and 1943-44. It then increased until 1949, and has since resumed prewar levels. In the meantime, stocks had fallen from 144 million gallons to 85 million in 1945. As less matured whisky was available for sale, and more was exported, a strong sellers' market developed at home, with all its usual symptoms, not least a free ("black") market and price. By March this year, stocks had recovered to 150 million gallons. But perhaps 125 million gallons of this had been distilled in the last five years and are not yet ready for sale.

The end of allocation will not by itself produce a large increase in supply immediately or even in the next few months. At current prices, whisky demand and supply in the country as a whole have been approaching each other, and the sellers' market has been coming to an end. Even if there had been a risk of continuing general shortage, rationing was overdue for abolition. But the physical process of maturing malt whisky cannot be hurried to suit the freeing of the market. Assuming an average maturing period of seven years, whisky for sale in 1954 will on the average have been distilled in and around 1947 (in practice, of course, most blends contain whiskies of several different types and ages). Only 14 million gallons were distilled in 1946, 9 million in 1947 and 21 million in 1948, compared with the 29 million of 1939. Distillation at prewar levels did not restart until 1949. So whisky will not be plentiful in 1954; it could become so in 1956, but, since it can be held in stock, it need not be, even then. For the time being, therefore, private rationing may replace the official system.

When plenty will come depends not only on the technical conditions of supply but also on the fiscal, social and economic conditions of demand. Opinion

in the industry seems to be that home consumption will not rise very much so long as the duty remains at its present height. Consumption in 1953 so far has in fact been running at the rate of about 4.2 million gallons—a long way short of the prewar 6.9 millions.

The price of Scotch has risen from 12s. 6d. (including 8s. 6d. duty) a bottle in 1939 to 35s. The duty on whisky (and on other spirits) has trebled since 1938, and is now roughly 70 per cent of the retail price. Are there any chances of a lower price through a cut in the duty, now nearly £1 5s. per bottle? The industry will duly make its annual pilgrimage to the Chancellor in turn with many other deserving supplicants. Like these others it may dangle before the Chancellor the prospect of higher revenue if the duty is reduced. When the duty on light French table wines was reduced in 1949, demand rose so much that the lower duty yielded a larger revenue. But is the demand for whisky equally elastic? A reduction in the duty of, say, one-fifth, or 5s. per bottle, would need an increase in demand of more than one-fifth to increase the yield. This would need an increase in supplies of about 800,000 gallons, which is not likely in 1954. And a cut in duty might not help whisky much if it were shared by all spirits.

The distillers have another argument—that the industry can exert its strongest efforts abroad only if its home base is secure. Chancellors and Financial Secretaries have been eloquent in their tributes to these efforts: in 1952, Scotch earned roughly \$50 million, or about 10 per cent of the dollars earned by all visible and invisible exports. The argument that a large home market is essential for a maximum export effort is not self-evident; indeed, the contrary might be true. Yet the industry's appeal to exceptional circumstances evokes sympathy: its export markets are susceptible to sporadic disturbances—tariffs, quotas or currency restrictions in Australia, New Zealand and Brazil, embargoes in Mexico and South America, prohibition in Egypt and Pakistan, and, not least, the danger of "readjustment" in the USA, which takes over 50 per cent of the exports.

But virtue brings no reward. The industry's very success in exporting has weakened its home base—perhaps permanently. With exports at more than 11 million gallons, it would need a very large increase in home demand to raise the proportion of world Scotch

consumption to 50 per cent. If a 10s. cut in the duty per bottle were to raise home sales to 6 million gallons—neither of which assumptions is likely—the home base would still be only 35 per cent. Exports seem destined to play a dominant part in the industry's marketing; the prewar balance between home and export trade is hardly likely to be restored except by a slump in the USA of 1929-31 proportions.

But even if it cannot yet reduce the price, the industry plans to bring the merits of whisky home to those who drink other spirits or other beverages. The end of the sellers' market was foreseen two years ago, when training schemes for salesmen were re-started after a 12-year gap. Increased advertising of the proprietary brands is a certainty, and the Scotch Whisky Association is also stepping up its publicity.

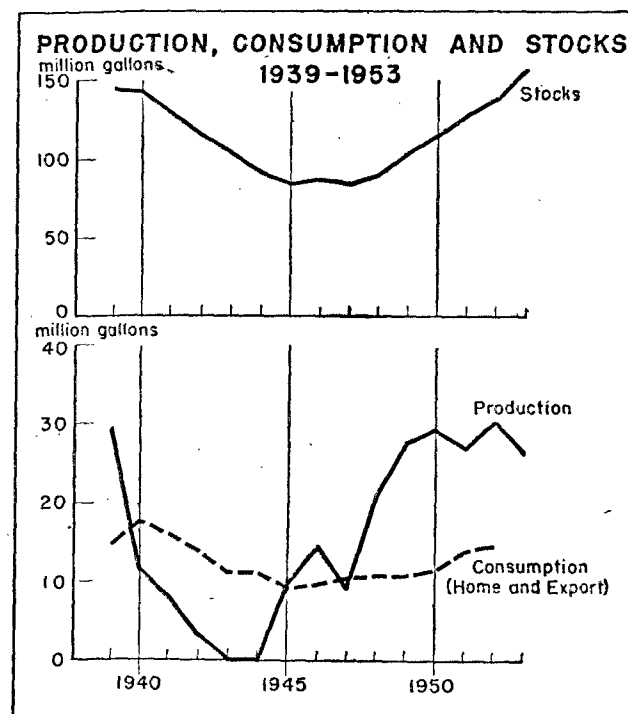
Even more radical measures may be called for. Soft

drink consumption has grown $5\frac{1}{2}$ times in 28 years, and may double in the next five or ten; lighter beers have been replacing the heavier; even Lemon Hart has its Light Hart. It might be possible to develop lighter-bodied whiskies for women and younger people; and blasphemous as this may sound on Speyside, these might well comprise a higher proportion of grain whiskies. On the average the present ratio of grain to malt in blended whiskies is about 50-50. An increase in the proportion of grain would reduce the average period of maturing, since grain whiskies mature in four or five years while malt whiskies

take seven or more and thus ease the industry's budgeting problems.

Other ways of adapting whisky to changing social habits and drinking tastes may be possible. Price is not the only explanation of class differences in drinking; social and drinking habits play their part. Novel measures may be necessary to spread whisky drinking at a time when working-class real incomes have risen by a third in 14 short years and many in the traditional whisky-drinking classes have been relatively impoverished, when women are increasingly patronising the improved modern public houses, and when home drinking is increasing.

How far advertising by itself will increase whisky consumption as a whole, and how far merely redistribute it in favour of the largest advertisers and the better-known brands, remains to be seen. The



Distillers Company is by far the largest blender of whisky. It owns six out of the nine grain distilleries, but most of the 90 malt distilleries are owned independently. It also markets several "national" brands including Johnny Walker, Black and White, White Horse, Haig and Dewar; but other distillers and blenders have built up national or regional markets for their brands, and brewers blend whiskies for their own houses. There are about 100 main brands and many other local or private ones. The smaller firm often has small overhead costs; and its blends may be as good as the famous. But the national names have a firm hold, and increased publicity for them may withdraw custom from the lesser-known. Moreover, some of the largest firms concerned are also major producers of gin, to

Rockets for Reindeer

SPACE travel is technically possible. Its eventual development appears to be inevitable. But its impact on the human race and the scale upon which an inter-planetary transport industry might operate are still matters for conjecture. Whether journeys into outer space can become more than exploratory depends on technical developments yet undreamed of, but it is no longer in dispute that modern rocket technology can, if required, provide the means of making such journeys.

The science of rocketry on which practical space travel depends is precise and predictable, based firmly on the established theory of ballistics. The salient facts are roughly as follows; there is a belt of comparatively "solid" atmosphere around the earth which grows progressively less dense, until at altitudes of about 20 miles it can no longer hold up an aeroplane or feed its engines with oxygen; but there is no theoretical limit to the heights that a rocket could reach. It does not need the atmosphere to hold it up, and its fuels carry their own oxygen. A rocket rises like a shell, in a smooth parabola, and gravity draws it back to earth when it begins to lose speed.

If a rocket were to start its flight from a point on the earth's surface, and climb to a height well clear of the earth's atmosphere, 500 miles or more up; then, provided it were moving fast enough, it would not meet the earth again on the downward leg of its flight, but would shoot past the curving surface into space. But as it went past, the forces of gravity would come to bear on it and swing the rocket round like a horse on the long-rein. Acceleration in the order of 25,000 miles an hour is needed to launch a rocket into space, but cruising speeds of around 11,000 miles an hour are sufficient to keep it there (although naturally these speeds alter with altitude and the figures given relate to an orbit set up 10,000 miles from the earth's centre). Such a rocket would be too far and too fast for gravity

whom total spirit consumption at home may matter more than the division of the dram.

If, then, home demand for whisky cannot be expanded beyond 4.5 or 5 million gallons, the increasing supplies available in 1955 and beyond may bring a buyers' market. There may be hopes of an increasing demand in the USA, based on expanding population and rising income per head; other export markets are too uncertain to permit anything more than guesses. At home it would be possible to mature for longer periods and so hold supplies off the market. But not indefinitely: larger stocks lock up more working capital, and the pipeline of maturing stocks is already expensively long. In the middle run, supply is basically inelastic and, short of war, more plentiful supplies of whisky might restore price competition.

to bring it back to earth, but not fast enough to break free. A rocket in space will never lose velocity because it meets no air resistance, and having no further need for power it would become an artificial satellite orbiting endlessly round the world. Temporary orbits for rockets, indeed, could be set up closer to the earth, at roughly any altitude above 100 to 200 miles. The force of gravity would quite soon overcome the velocity of such a rocket and pull it down to earth; but for research purposes a perpetually-orbiting rocket would not be essential.

To build and launch an—unmanned—artificial planet on these lines would be well within the reach of present rocket technology, if a sufficiently strong case could be made to justify the experiment. The subsequent stages of space travel are less clearcut. One school of thought believes that the launching of orbiting rockets will be followed by the construction of "space stations," big enough to accommodate sizeable crews and workshops. The work of assembling space ships for inter-planetary journeying would be undertaken on these stations, from components ferried up from the earth in rockets. This, for a number of reasons, seems improbable. At this stage, it is difficult to see how men will be able to work in space; while the concept of a rocket ferry service carrying up materials for the space station does not stand examination.

It seems more likely that the launching of instrument-carrying rockets will be followed by cautious experiments with manned rockets, still operating as artificial planets round the earth. Once a rocket is moving in its orbit, it should not need a great deal of power to break free of the restraining pull of gravity and head for the planets. The nearest heavenly body is the moon, 250,000 miles away, and this stage of space travel is generally visualised as a series of exploratory voyages round the moon and in the space surrounding the earth.

Whether landings would actually be made on the moon and whether the crews would be able to leave their vehicles remain unpredictable. Conditions on the moon, where there is no atmosphere, are hardly attractive. Planets like Mars (never nearer than 34.5 million miles) and perhaps also Venus (26 million miles) appear to have the kind of atmosphere that might make life slightly easier, although there is no evidence that they have any oxygen, but the journey to either would follow a route roughly 100 million miles long and take approximately 5 months. The size of rocket required to carry provisions for a voyage of this duration suggests that it will be outside the scope of space travel for a long time.

When such a programme of development will be put in hand depends on how valuable the project appears.

Much that is valuable could certainly be learned about high-altitude conditions. American high-altitude research rockets have reached heights of only 250 miles; and the amount of data that they can collect during the minute, or so that they travel in space is limited. An orbiting rocket, even an unmanned one, could be a valuable research tool and its cost might not be so very high compared with that of the present research rockets. Scientists visualise at this stage the construction of small orbiting rockets carrying about 100

pounds weight of instruments, travelling somewhere between 200 and 300 miles above the earth and staying in their orbit for only a short period. Manned rockets, built on a more ambitious scale to cruise farther into space, would be more useful still. But any idea of going beyond the collection of data and developing, say, the moon's suspected mineral deposits, is ruled out from the start by the difficulty of transporting them back to earth.

The military value of these experiments in space is frequently over-rated. Over a period of time, all sections of the earth would come under the review of an orbiting rocket, so that it could be a valuable observation post and an effective radio transmitter; but the skill that could launch such a rocket could also shoot it down. Yet the military have a vested interest in the development of inter-continental rockets—missiles that will cover great distances but will stop short of true space

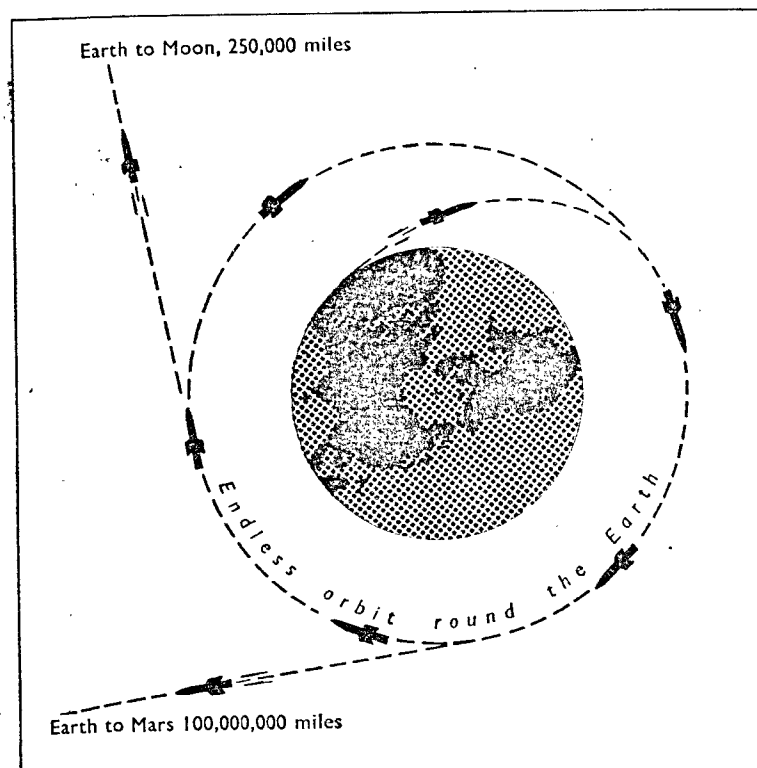
flight itself. The importance that has suddenly become attached to the giant Australian range at Woomera suggest that many of the engineering problems associated with the design of big rockets for interplanetary flight may be solved in the course of designing long-range guided weapons.

The size and weight of rocket can be worked out quite accurately for any given range and payload. The V2 carried one ton of explosives 200 miles (300 miles were reached experimentally towards the end of the war) and used $8\frac{1}{2}$ tons of fuel to do so, while the entire rocket itself only weighed $12\frac{1}{2}$ tons. A manned rocket carrying a payload of about 2 tons and designed to orbit at, say, 6,000 miles, would probably weigh in the region of 240 tons, most of this consisting of fuel. But the landing of

manned rockets raises special problems of size. To pull free of the earth, a rocket would have to reach speeds in the order of 25,000 miles an hour. The highest speeds, however, would be reached only after the rocket had passed through the earth's atmosphere, and heat friction—already a problem in high-speed aircraft—would not then build up to any significant degree. But when a rocket comes back to earth, it comes at great speed from space down into the dense atmosphere. Long-range military missiles will reach their targets intact because

they are likely to pass through the danger zone at such high speeds that only the outer skin of the rocket would be affected. A manned rocket that has to land gently would have to lose speed before it enters the atmosphere.

One suggested method of "braking" is that the rocket should reduce speed by skimming round the surface of the atmosphere, using the resistance of the air as a brake and gliding in to land like a rocket fighter. This would involve circling the world several times, making the glide home a considerable feat of navigation. But the only alternative is to give a manned rocket the means to reverse the launching process, that is, sufficient rocket power to fire into the line of flight, the only effective way of applying brakes in space. If this means that the initial payload of the rocket would become not 2 tons but nearer 240 tons (the equivalent of the total weight originally planned at take-off), then the



initial take-off weight might become something in region of 29,000 tons, equivalent to a medium-sized ship.

Such estimates as have been made of the cost of experimental space travel are not too discouraging. The most recent figures are those in a paper read to the British Interplanetary Society by Mr A. V. Cleaver, rocket expert of the de Havilland Aircraft Company. He estimated that the first stage, covering the research necessary to design, build and launch unmanned orbital rockets at heights of 200 miles would cost about £50 million, almost all of which could be written off against military research. He calculated upon a further £250 million for the development and building of 10 manned orbiting rockets with small crews. Assuming that the unmanned rockets have been completed by 1956, this second stage should take a further 10 years. What develops after that, he admits, is sheer guesswork.

Business Notes

Recovery in Engineering Exports

THE most heartening aspect of the detailed returns of Britain's overseas trade in November is that the jump of £12.3 million in exports from the previous month's figure of £227.6 million was almost wholly attributable to increased shipments of engineering goods. These goods, which make up over one-third of Britain's total exports, had shown only a small rise of £3 million in October from the low average of £81 million in the third quarter of this year. In November however, they rose by £10 million to £94 million, bringing the average for these two months to £89 million. But there is still some leeway to be made up. For the five months July to November the monthly average of engineering exports was slightly less than the average of £84.5 million in the first half of the year, and was still 3 per cent below the average of £87 million in 1952. Shipments of electrical goods and machinery in those five months were lower than in the first half of the year, but "vehicles" were a little higher owing mainly to the record shipments of aircraft.

Exports of the other groups of manufactures were all somewhat higher in October-November than in the third quarter. Shipments of textiles rose by a further £2.5 million a month to £35.5 million. Shipments of metals increased by nearly 10 per cent to £25 million, and exports of "other manufactures" were nearly £5 million higher at £49.6 million.

Imports in November and October showed little change compared with the third quarter. For the first eleven

His guess is that from £500 million to £1,000 million might be required to cover the development of manned interplanetary travel by the end of the century.

The major controversy among rocket scientists is not so much about the feasibility of manned rockets, or how to fuel and land them, but about the desirability of starting to build small, unmanned instrumented rockets immediately, as an advance on existing high-altitude research techniques, as well as a prelude to research in space. The split is between those who want this work to be started now, and those who do not believe that the data such a rocket would be likely to bring down are so valuable that it cannot wait until improvements in the design of rocket motors make it possible to build orbiting rockets of more modest dimensions. Pending a revolution in rocket fuels and rocket motors, space travel in the popular sense seems remote.

months of the year the volume of imports is estimated to have been 10 per cent larger than in the same period of 1952. In spite of that increase the fall in prices has been so steep that the average monthly value of £278.7 million is 5 per cent below that of 1952. Import prices fell by an average of 12 per cent while export prices fell by only about 3 per cent. This substantial improvement in the terms of trade, without which Britain's balance of payments would now certainly be looking extremely sick, came to a halt last August. In November a fall of one point to 86 (1952 equals 100) in the index of import prices was matched by a fall of one point to 96 in the index of export prices, and the terms of trade remained at 90 for the fourth successive month.

CIC and Bank Lending

THE Chancellor's investigation of recent complaints from the shipbuilding industry about the difficulty of securing overseas orders in the absence of facilities for medium-term credits to buyers has had a useful result—a general relaxation of the system of controlling bank advances. Mr Butler's first directive to the Capital Issues Committee in December, 1951, and his associated "request" to the banks, had contained several new and rather objectionable principles. The banks were informed that advances for capital expenditure "should not in general be made." This meant that any contemplated projects for such purposes,

and for any other purposes not within the ordinary course of business, had to be referred to the CIC if the amount was over £50,000. The CIC, when scrutinising applications for bank finance, was also required to look not only to the "priority" of the project but also to the arrangements for repaying or funding the advance. The committee's practice has generally been to insist that no advance shall be granted for capital purposes unless there are firm arrangements for funding it within six months. The Chancellor has now agreed that there is no longer any need for this particular intervention. The arrangements for banks to refer to the CIC still continue, but the Chancellor has instructed the committee that it need not look into the repayment terms and period of the loan, which are properly left to the discretion of the banks.

The restraint that has now been withdrawn was obviously the particular one that was troubling Sir Frederick Rebbek when he recently expressed the grievance of some ship-builders; but the likely effect upon export business in capital goods of the welcome change should not be exaggerated. The rule did not obstruct medium-term credits for exports if the banks were themselves prepared to put up the finance and if it was provided to or through the British exporter. In that event the finance was not technically for capital purposes but was in the ordinary course of the borrower's business. Hence the relaxation will affect only those cases where the credit is sought directly by the prospective purchaser himself. Not all banks, as a recent article in these columns explained, are prepared to venture far into medium term export finance even when the domestic customer is the borrower. And it remains to be seen whether those banks that take a more liberal view are prepared to extend it to direct credits to overseas buyers. But the relaxation applies equally to purely domestic business; in that sphere it may have a greater effect.

Bank Advances Still Falling?

DESPITE the evidence of the clearing bank's figures for November, which showed an increase in advances by £22 million, it still seems questionable whether the trend of bank lending to the private sector of the economy has yet turned upwards again. The quarterly classified statistics of bank advances, which are free from the distortions that beset the monthly totals (and also differ from them in that they embrace all members of the British Bankers' Association but exclude advances made outside Great Britain), show that total advances dropped by nearly £48 million in the three months to last November to only £1,741 million. This made a fall of no less than £275 million since the change in monetary policy in November, 1951. Only £23 million of the quarter's fall was attributable to net repayments of advances by the nationalised public utility industries, despite the fact that calls on the Gas loan during this period apparently provided some £70 million. This shows that the rate of re-borrowing by these industries is still heavy. The volume of credit absorbed by all other borrowers—broadly speaking, by the private sector—thus declined by nearly £25 million. This compares with a decline of £42 million in the previous quarter, but with increases in each of the two quarters before; in the corre-

sponding quarter of 1952 there was, however, a very much steeper fall, by almost £81 million.

But if the downward movement has not yet ceased, it has lost most of its momentum. Over the twelve months to last November, this "private sector" total dropped by less than £20 million, whereas in the first year of the new monetary policy it fell by over £200 million. Of this year's fall, £16 million was attributable to the big personal and professional group, whose credits were reduced by nearly £6 million in the latest three months. Other substantial falls over the quarter occurred in the "other financial" group, down by £16 million, which includes advances to the finance corporations as well as hire-purchase finance and the like; in engineering, down by £10 million and making a £20 million fall over the year; and in iron and steel, down by £4 million, but still leaving the total £22 million up on the year. The only substantial increases over the quarter occurred in food, drink and tobacco (up by £15 million) and in local authorities (up by £7 million).

Another Steel Sale

THERE is an impish quality about Sir John Morison's steel share sales. The share market does not justify another big public offer; the Iron and Steel Holding and Realisation Agency has been publicly, though foolishly, criticised for the capital inflation involved in unscrambling steel at a profit. Sir John's reaction is to sell another steel company at a proportionately higher profit.

Sheffield Forge and Rolling Mills Company has been sold to Darwins for £420,000. It was nationalised for £275,928—22s. 6d. each for 245,269 ordinary shares of 6s. 8d. The purchase will involve rights issues by Darwins of 431,700 10s. ordinary shares to ordinary shareholders, and 256,647 £1 6 per cent. cumulative preference shares to existing 5½ per cent preference shareholders. The dividend on the existing preference capital will also be raised from 5½ per cent to 6 per cent.

Since Sheffield Forge are makers of common steel sections the price is good. Doubtless Darwins who are makers of high grade and often costly alloy steels desire to add to their making capacity. But no historical connection exists between the two companies. Before nationalisation the Senior family was the largest among a number of shareholders but had no control. They decided not to re-purchase and Sir John Morison was lucky to get so high a price elsewhere.

The Agency's score of steel sales is now three private sales—Templeborough Rolling Mills, Round Oak Steel Works, and Sheffield Forge, with only one public offer—United Steel. It will try to conclude a few more of the small private sales in the interval before the market is again buoyant enough for a substantial public offer.

The Coal Board's Self-Inquiry

THE inquiry into the organisation of the National Coal Board in which the board has obtained the assistance of five distinguished independent members is—at least in

form—a purely internal affair. The board itself will presumably supply other members of the committee; the report will be made to the board, not to the Minister of Fuel and Power; and Parliament's opinions on the matter will not necessarily be sought unless any changes the board might decide on as a consequence of the report require changes in its constitution. Whether the report will ever be published remains to be seen; some of the recommendations of the Burrows committee, which studied NCB structure in 1948, were published by the board along with detailed replies, but never the whole report.

Formally, therefore, this inquiry is much less than the board's critics in Parliament were after a year ago and again this autumn; weather came to the rescue of Mr Lloyd and the board. In fact, however, the effect may not be so different. This is not an examination of the coal industry to find out the most effective form of organisation for it, but a study of the organisation to see how far it suits principles about which the board has already made up its mind—that the area is the vital unit of higher management, and that the area general manager is in effective charge of his area "subject of course to necessary co-ordination and full accountability to the divisional board." These principles of decentralisation would probably be accepted by most of the board's Tory critics, though there is very wide room for difference about their interpretation and implementation; as principles, they are unexceptionable as well as fashionable. Nevertheless, it is worth emphasising that this is not the wide-ranging public investigation of its structure and efficiency, with no holds barred, that the board along with other nationalised industries will eventually require.

Those Colonial Balances

IT is well-known that the Colonies have been piling up their London funds for years, but the extent of the increase is seldom mentioned. A memorandum published by the Colonial Office last week shows that the sterling assets of the Crown Colonies rose from £670 million at the end of 1949 to £1,222 million at the end of 1952. Though the Colonies need to maintain adequate reserves, it is difficult to believe that it is really in the interests of these poorest members of the sterling area to use their export earnings to build up idle balances equal to more than a year's imports. It would be grossly unfair to represent the increase in these balances as showing a deliberate policy by the British Government to hold in check colonial consumption; but it is equally misleading to attempt to show, as the Colonial Office does, that the level of colonial balances is unaffected by high policy decisions from London.

Fortunately, the official statement also includes new and useful detail on the composition of those assets, making Whitehall's responsibility for their level easier to assess. Colonial Government funds were 36 per cent of the total at the end of 1952. Another 30 per cent was taken up by the London funds of colonial currency authorities, and 12 per cent by the reserves of the West African and other marketing boards. Most of the remainder was accounted for by the London assets of the colonial banks. All these balances showed sizable increases in the three years under consideration. The increase in the sterling

assets of the banks and currency authorities was primarily technical; the large increase in the balances of the marketing boards, which took place mainly in 1950 and 1951, reflects the high commodity prices that followed the outbreak of the Korean war. The increase in Colonial Government funds is easily explained too; development projects take time to prepare and available money cannot be immediately spent. But the pertinent question is why such projects were not ready; why the outflow of long-term capital from London for development was so much smaller than the accumulation of colonial savings in London.

The future course of the colonies' sterling reserves, as the Colonial Office recognises, is almost certainly downward. Any serious fall in commodity prices must reduce the reserves of the marketing boards, and assets of the banks and currency boards are bound to be absorbed as industry is developed and money and capital markets established.

Protection for "Free" Sugar

THE International Sugar Agreement that comes into force on January 1st is a brave attempt to give some protection to the Cinderella section of the world sugar trade, the "free" market. So much of the world's sugar is sold under preferential arrangements of one kind or another that exports through the free market now amount to only about 5 million tons, out of annual world exports of some 12 million tons and a world production of over 35 million. The free market is thus the residual source of supply and suffers from a persistent tendency towards price deflation. The new agreement has been ratified by nearly all the important countries, and is therefore much more broadly based than the two previous agreements of the pre-war period. Its exporting members have agreed to cut their export quotas by 15 per cent, reducing the total from the basic figure of 4,615,000 tons to an effective figure of 3,390,000 tons. The council has not published its own estimate of the requirements of the free market in 1954, but when allowance is made for the probable exports of the countries that export to the free market but have not signed the agreement, the revised total still appears too high.

For some time the mere existence of the agreement may affect market sentiment sufficiently to maintain the price within the stabilisation range of 3.25 to 4.35 US cents lb, f.a.s. Cuban port. Expectations that the agreement would be ratified were largely responsible for the recent advance in the spot price from about 3.15 cents to 3.30 cents lb. The council has the power to raise or lower the export quotas while the price is within the stabilisation range. It is obliged to do so if the average price is more or less than the maximum and minimum for fifteen consecutive days. If it cannot agree on the amount by which the quotas should be adjusted they will be automatically reduced each time by 5 per cent of the basic figure when the price falls below the minimum, or raised by 7½ per cent when it goes above the maximum. The maximum permissible reduction in the basic quotas, however, is 20 per cent, so that any lapse in market confidence would now leave the council with the power to make a reduction of only 5 per cent, or about 230,000 tons.

Britannias in the Window

THE Bristol Aeroplane Company is the third British aircraft manufacturer to tool up for the production of a civil airliner well in advance of actual orders. Last week, Bristol announced an arrangement with Short Brothers and Harland whereby Shorts were to start tooling immediately to produce 25 long-range Britannia airliners a year. This is the same rate at which the aircraft is being built at Bristol, bringing the probable rate of production when both lines are fully working to 50 aircraft a year. Firm orders so far amount to 43 aircraft and negotiations for a further 50 are fairly far advanced, but Bristol will need considerably more than these to justify its investment.

The size of the venture is very considerable. Tooling for each production line amounts to about £1.5 million, and the amount of capital represented by work in progress at any one time will probably average an additional £4 million. Bristol's commitments are heavier than either those of Vickers (with a target of 100 Viscounts a year) or de Havilland, because the company will also build the Britannia's engines, at the rate of about 300 a year. But if the company does not take this risk now it may lose a valuable portion of the market through inability to deliver on time. The turbo-prop Britannia promises to become one of the cheapest aircraft to operate, but because it represents a radical departure from existing long-range designs, and is indeed Bristol's first major venture since the war, foreign airlines are preferring to hold their hand until the first of the aircraft go into service with BOAC in 1955 (the first production machine being due to fly next summer). At an initial price of £750,000, this caution is understandable, and it is a sign of the British industry's confidence in its market that quite small companies (financially speaking) will take the risk of building such expensive commodities as airliners—the Viscount costs around £300,000, the Comet II £500,000 and the Comet III the same as the Britannia—for sale on the counter. None of these airliners, however, are such standard articles that manufacturers do not modify them to airlines' requirements, although recent statements made under influence of the seaside air may have tended to convey that impression.

Puzzle from Lancashire Cotton

WHICH was the normal year for Lancashire Cotton Corporation, that ending October 31 in 1952 or in 1953? This is the puzzle set by the further drop in the company's trading profits, from £4,225,974 to £3,212,254. The company itself doubtless feels that 1951-52 was the exceptional year when profits benefited (though only in the first few months) from the completion of orders carried over from 1950-51. Margins on these were exceptionally high. But investors will still wonder when the company's exports of yarn (which were severely curtailed in the summer of 1952) began to pick up again and when the company's profits began to reflect the revival in trade at home.

Until the company resolves these doubts a question mark

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must hang over its dividend policy. By declaring a final equity dividend of 10 per cent, the full year's distribution has been raised to 20 per cent, compared with 15 per cent in 1951-52. But this new distribution includes a Coronation bonus of 5 per cent and there is naturally doubt whether that will be repeated. Basing its estimate on the further decline in the company's net profits (from £1,924,403 to £1,756,474), the market has assumed that this bonus is indeed a once and for all payment. The company's £1

	Years to Oct. 31, 1952	1953
<i>Earnings:—</i>		
Trading profit, before tax	4,225,974	3,212,254
Total income	4,358,690	3,400,885
Taxation	2,340,000	1,550,000
Net profit	1,924,403	*1,756,474
Ordinary dividends	318,665	445,117
Ordinary dividends (per cent)	15	†20
Replacement reserve	500,000	500,000
General reserve	1,000,000	1,000,000
Added to carry forward	80,750	Dr. 34,627

* Excluding £180,000 released from tax provisions. † Including a 5 per cent Coronation bonus dividend.

ordinary stock units were therefore marked down by 4s. to 49s. They have since recovered to 49s. 9d. and at this price on the basis of a 15 per cent total payment they yield 6½ per cent. The optimists, who will note that the dividend is generously covered by net earnings, will still base their yield calculations on a 20 per cent dividend. On this assumption the yield is 8½ per cent. But, before counting their chickens, they should wait for the full report. Now that trade has revived, the company may be more willing to use its liquid resources in re-equipping its mills. Capital commitments may be heavy.

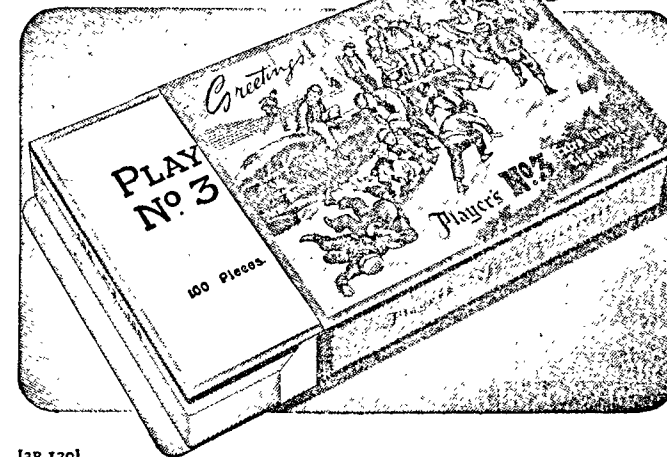
Brazil Debt Payments

AGREEMENT was reached in London this week about the methods of carrying out the arrangements made last October for the settlement of Brazil's £54 million commercial debts due to firms in the United Kingdom and the colonies. The main point was the order in which the creditors would rank for payment out of the proceeds of Brazil's immediate payment of £10 million and subsequent minimum annuities of £6 million (to be stepped up in accordance with the course of Brazil's sterling balance of payments). This question has been settled by deciding that the full amount of each debt shall be paid in chronological order of the date of approval by the Bank of Brazil of the application for the remittance of sterling. Interest will be paid on the outstanding debts at 3½ per cent simple interest from October 1, 1953. The arrangements have naturally given much satisfaction to the creditors of longer standing. The risk and inconvenience on smaller firms holding younger claims might with advantage be met by creating a market in which these claims could be discounted. Brazil has completed its arrangements for securing the initial down payment of £10 million from the International Monetary Fund. The first payments to creditors should be made through normal banking channels in the course of January.

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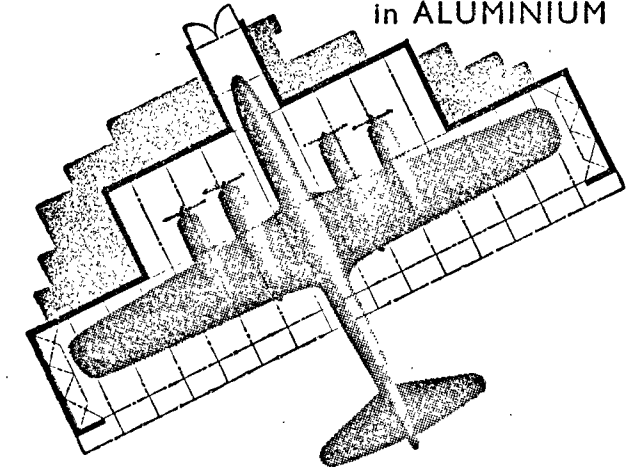


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Too Little for Shirley?

THE Shirley Institute has recently undertaken a comprehensive programme of research into the spinning, weaving and finishing of yarns and fabrics made of various proportions of cottons and nylon staple. Nylon has evidently been chosen because this synthetic fibre is in quantity production, and the results of this research into blending will thus be of immediate interest to the mills. The blending of cotton with terylene and orlon will no doubt be studied in due course. Ideally, however, such research should precede, rather than follow, the commercial production of the new synthetics, and the timing of the institute's new programme suggests that Lancashire is not providing it with the resources necessary to tackle this work as early or as comprehensively as it would wish. As Dr F. C. Toy, its director of research, has stated, every year shows the growing importance of mixed fibres in the textile industry. Nor does this apply solely to mixtures of the new synthetics and the natural fibres; the blending of cotton with viscose and acetate rayons are older but still fruitful studies.

The Institute's funds, which come primarily from a levy on the industry, supplemented by a *pro rata* grant from the government, will amount to not less than £305,000 this year and should increase to some £350,000 in 1954. But the claims on these funds are many, and Lancashire might well consider whether a still larger income would not pay increased dividends and help to overhaul the lead that the Americans are attempting to establish in blending techniques.

Dr Toy's reference to the growing importance of mixed fibres is developed by his colleague, Dr D. W. Hill, in an article in the "Three Banks Review." Dr Hill points out that the demands on fibres are so many, and sometimes so conflicting, that it is unlikely that the ideal fibre, possessing all the virtues, will ever be found. But in the man-made and natural fibres together manufacturers now had at their disposal a range from which it was possible to create products surpassing all past conceptions of textile utility. With time the range would grow wider still. It presents at once a challenge to and an opportunity for Lancashire, for the cotton textile industry's future as an exporting industry will depend more and more on its ability to harness its traditional reputation for quality and design to the production of high-class goods that exploit the new fibres to the best advantage. That, as Dr Hill remarks, will require new skills and a considerable increase in the scientific and technical personnel of the industry, for the properties of the new fibres sometimes offer baffling problems that cannot be solved on the basis of experience.

Freeing the D-Mark

THE German central bank has taken three more short steps towards freeing the D-mark from exchange restrictions. The most important of these is that it will now permit the transfer of earnings from all investments that were made in Germany before August 7, 1950; it will

also permit transfers of earnings on investments made with foreign exchange after that date, though not on those made with blocked marks. The significance of the deadline is that it was in August, 1950, that the *Bank deutscher Laender* first allowed blocked marks to be sold by one non-German to another, and so created two categories of blocked D-marks—the "original" and "acquired" varieties. The bank is also to raise the ceiling of small debts that can be transferred at once under the terms of the London Debt Agreement above the present DM 10,000 (although it has not yet announced by how much); and it will allow DM 500 a month to be transferred to the victims of Nazi persecution whose claims for restitution have been accepted.

These moves were all expected, in view of Germany's large and growing surplus of foreign exchange; the central bank's reserves of gold and foreign exchange are approaching DM 8,000 million and are already equal to more than five months' imports. In these circumstances, the bank's earlier permission to transfer earnings only on the foreign-owned investments that were made before 1931 seemed over-cautious. But the German authorities have been hampered by not knowing the full amount of blocked marks that will have come into existence by the time all restitution claims have been met. Nor is it easy to estimate how much has already left the country. It is already legally possible for holders of "acquired" blocked marks to transfer their earnings by various means, if they are willing to sell at a discount, and many have done so in the past few years; moreover, it is an open secret that an unknown amount of capital has been transferred illegally. All these factors—together with uncertainty about the future of Germany's foreign trade surplus—make it hard for the *Bank deutscher Laender* to take a plunge into freedom. If it continues its present little-by-little approach, the next step will presumably be to allow the transfer of earnings on investments made with blocked marks after 1950; after that the aim should be to allow some transfers of the capital itself.

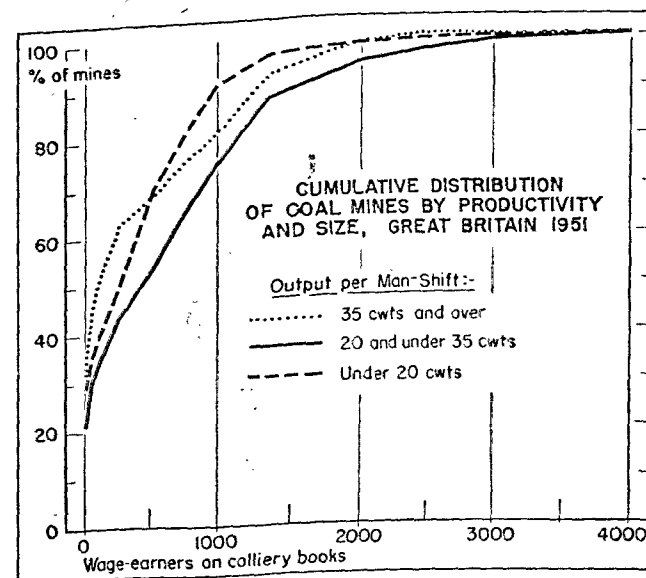
Bigness and Morale

THE Acton Trust, which recently began a broad study of certain effects of size in industrial units, has published its first interim findings on the subject*—dealing primarily with industrial morale, as expressed in regularity of attendance at work. It concludes that, "as a general rule, workers go absent for one reason or another proportionally more frequently in large concerns than they do in small concerns." The conclusion was based upon comparison of absenteeism and size for 18 individual coal mines, plus correlations between average absenteeism and the average size of pits in coal wages districts and National Coal Board areas; and upon absenteeism and employment records for 91 industrial units in a large (and easily identifiable) industrial combine and for 230 stores in a large retail organisation. The connection between larger units and higher rates of absenteeism, the Trust found, was very marked in coal, fairly marked in the multi-plant manufacturing concern, and "just discernible" in the retail chain.

It compares its correlation of absenteeism and size of

* "Size and Morale." The Acton Society Trust, 3s. 6d.

pit with Sir Andrew Bryan's conclusion in 1951 that the accident rate rises with the size of coal mines. That conclusion may be rather more strongly established statistically, since it classified individual mines into size groups, and did not rely partly upon averages of mines in a district or area. In some studies of coal industry statistics, these averages can be misleading; for example, wages for the same job in a district may differ more widely than the district averages for that job, upon which the calculation of "district wages differentials" is based. The fragmentary statistics that the Trust incidentally quotes to link productivity and size of pit, once again averages, may be more open to this criticism than its broad conclusions about absenteeism and morale. The Trust's suggestion that "it is



... the larger pits which have the lower efficient output" does not seem to be borne out by the statistical breakdown of British pits by size and productivity published annually by the Ministry of Fuel and Power. The implications of that table are not clear cut. It suggests, as the table shows, that mines with small output-per-man-shift are generally smaller than those with medium OMS, but that the highest levels of productivity tend to be associated not only with the larger sizes of pit, but with pits employing fewer than 100 men. Only 72 of these 490 small mines are owned by the National Coal Board, the remainder being licensed to private operators, mainly concerned in working small pockets of coal without elaborate equipment. A fair proportion of these small pits have a high OMS; but in all they employ fewer than 10,000 men and produce about 3 million tons, something less than 1½ per cent of the country's output.

More Kaffir Dividends

THE last batches of this December's Kaffir dividends were announced by the Consolidated Gold Fields and Johannesburg Consolidated mining groups over the weekend. These dividends, which are listed in the accom-

panying table, contained the usual surprises; the stock markets were particularly pleased with the repetition of last June's payments by Randfontein and Simmer and Jack. On the other hand, this latest list contained rather more disappointments than the first dividend announcements

KAFFIR DIVIDENDS (June, 1952—December, 1953)

Ordinary Shares	June, 1952	Dec., 1952	June, 1953	Dec., 1953
<i>Consolidated Gold Fields</i>	s. d.	s. d.	s. d.	s. d.
Libanon, 10s.	0 3	0 3	0 3	0 3
Luipaard's Vlei, 2s.	0 7	0 7½	0 7½	0 7½
Rietfontein Cons., 5s.	1 3	1 4½	1 3	1 4½
Robinson Dp. "B," 7s. 6d.	0 6	0 9	0 9	0 9
Simmer & Jack, 2s. 6d.	0 3	0 4	0 4	0 4
Sub Nigel, 10s.	4 0	4 0	4 0	3 9
Venterspost Gold, 10s.	0 6	0 5	0 5	0 5
Vlakfontein Gold, 10s.	0 8	0 8	0 6½	0 6½
Vogelstruisbult, 10s.	1 0	1 0	1 1½	1 1½
West Dreifontein, 10s.	...	...	0 6	0 9
<i>Johannesburg Consolidated</i>				
East Champ d'Or, 2s. 6d.	0 3½	0 3½	0 2	...
Government Areas, 5s.	1 0	1 0	1 0	0 9
New States Areas, £1.	0 4½	0 3	0 3	0 3
Randfontein Estates, £1.	0 9	1 0	1 0	1 0

(discussed in these columns last week); the dividends announced by West Dreifontein, Luipaard's Vlei and Vogelstruisbult were all below recent market forecasts. The Kaffir market had perhaps taken too sanguine a view after the first dividend announcements.

SHORTER NOTES

Both the Kenya and Aden governments have played for safety by placing their new loans with institutional investors. The whole of the £6,510,000 tranche of Kenya Government 4½ per cent stock (1971-78) has been placed privately, 10 per cent of it in Kenya and the balance with Colonial Government funds. It is not expected that the new stock will be sold on the market. Existing stock of the same issue stands at £100½. In issuing £1,330,000 of a new 4½ per cent stock (1972-74) at 98 the Aden Government has also looked to the support of the institutions; £480,000 of this loan has gone to Colonial Government funds, another £750,000 has been placed with financial institutions in London; only the remaining £100,000 is being offered for public subscription and that only to residents in Aden. Dealings started on Tuesday at around £98½.

★

The revised estimate of the main cocoa crop in the Gold Coast, at 205,000 tons, was well below the market's most cautious forecasts and prices have risen to new peaks for the season. The West African marketing boards are now asking 360s. a cwt for January-March shipment, an advance of 20s., and good fermented Gold Coast cocoa on the London market is about 25s. higher at 355s. a cwt for shipment through to May.

Statistics

The following list shows the most recent date on which each statistical page appeared.		
BRITISH		OVERSEAS
Prices and Wages.....	Dec. 5th	Western Europe :
Production and Consumption	Dec. 12th	Production and Trade.....
Manpower.....	Dec. 19th	British Commonwealth
External Trade.....	This week	Western Europe :
Financial Statistics	This week	Prices and Money Supply
Industrial Profits.....	Oct. 17th	United States
World Trade.....	Oct. 17th	This week

UK External Trade

Imports are valued c.i.f.; exports f.o.b. Total trade unless otherwise stated.

	Unit	Monthly averages			1952			1953			
		1950	1951	1952	Sept.	Oct.	Nov.	Aug.	Sept.	Oct.	Nov.
VALUE											
Imports :											
Total	£ million	217.4	325.3	290.1	238.6	266.6	261.8	249.3	269.4	279.8	272.2
Food, drink and tobacco	"	85.8	107.8	101.2	78.8	83.2	88.9	95.0	117.9	112.2	108.9
Raw materials	"	82.9	142.5	116.6	96.1	108.5	110.8	97.0	94.0	102.5	99.7
Exports of UK produce :											
Total	"	180.9	215.0	215.1	188.5	221.9	210.4	198.2	202.2	227.6	239.9
Manufactures—total	"	156.9	189.4	186.1	161.2	187.5	180.6	171.5	172.7	193.8	205.7
" metals and engineering products	"	89.3	99.9	110.0	95.8	112.3	108.3	97.0	97.0	109.4	119.9
" textiles and clothing	"	34.7	44.9	31.8	26.7	31.5	30.6	31.7	31.6	35.0	35.5
" other	"	32.9	44.6	44.3	38.7	43.7	41.7	42.8	44.1	49.4	50.3
Re-exports	"	7.1	10.6	12.0	8.4	12.1	8.9	8.8	8.0	9.3	8.9
Balance of trade (exports less imports) ..	"	-29.4	-99.7	-63.0	-41.7	-32.6	-42.5	-42.3	-59.2	-42.9	-23.4
VOLUME											
Imports	1950=100	100.0	112.5	103.0	94.0	...	99.6	99	120	115	...
Exports	"	100.0	101.2	95.0	83	99	94	91	92	105	...
BY AREA											
Imports :											
Dollar area—total	£ million	40.0	64.5	60.1	39.8	52.6	45.5	48.1	56.0	55.4	...
" USA	"	17.6	31.7	26.3	15.9	25.7	20.8	16.0	20.2	19.2	...
" Canada	"	15.0	21.7	26.6	20.0	21.4	21.5	24.6	26.5	29.1	...
Non-sterling OEEC countries	"	54.6	84.0	71.4	62.9	67.8	62.2	58.7	64.1	67.4	...
Sterling area	"	82.6	116.5	119.8	109.0	119.0	126.5	107.4	112.5	119.5	...
Exports :											
Dollar area—total	"	24.9	28.9	31.4	29.0	39.6	32.3	33.8	31.2	34.2	...
" USA	"	10.6	12.8	15.1	13.7	17.5	13.3	13.9	14.6	14.7	...
" Canada	"	10.7	11.7	11.0	11.2	14.8	12.9	12.1	12.0	13.9	...
Non-sterling OEEC countries	"	49.2	56.0	58.3	57.9	63.4	59.4	55.6	61.0	68.4	...
Sterling area	"	87.4	110.8	107.0	83.6	101.9	100.7	96.5	98.0	112.6	...
Balance of trade (exports less imports) :											
Dollar area	"	-15.2	-35.6	-28.7	-10.8	-13.0	-13.2	-14.3	-24.8	-21.2	...
Non-sterling OEEC countries	"	-5.4	-28.0	-13.1	-5.0	-4.4	-2.8	-3.1	-3.1	+1.0	...
Sterling area	"	+4.8	-5.7	-12.8	-25.4	-17.1	-25.8	-10.9	-14.5	+6.9	...
TRADE IN SELECTED COMMODITIES											
Imports :											
Wheat	'000 tons	272.2	337.7	325.5	221.5	173.6	289.8	334.2	330.4	345.0	275.1
Meat	"	67.5	39.9	45.5	44.5	52.3	31.7	52.4	59.7	57.5	66.4
Sugar, unrefined	"	174.3	186.8	166.3	84.8	150.2	112.4	185.9	347.7	285.3	251.0
Raw cotton (?)	"	37.4	37.5	21.8	15.1	23.8	19.5	21.5	25.3	31.4	25.7
Raw wool, sheep's and lambs' (?)	mn. lb.	49.0	36.0	52.0	19.3	36.8	81.1	35.2	24.0	34.1	55.9
Rubber, natural and synthetic (?)	'000 tons	18.7	25.1	16.7	26.5	22.1	14.3	15.9	18.8	21.1	15.6
Softwood	'000 stds.	65.9	135.6	85.2	95.6	107.9	71.3	143.6	118.9	104.5	91.7
Woodpulp	'000 tons	119.3	139.3	119.9	86.1	99.9	133.0	143.1	137.8	171.6	149.0
Crude petroleum	mn. galls.	197	359	483	507	527	515	544	575	613	608
Exports of UK produce :											
Coal, including bunkers	'000 tons	1,464	961	1,254	1,368	1,485	1,183	1,099	1,417	1,627	1,587
Woven piece-goods—cotton	mn. sq. yds.	69	72	59	50	61	63	56	59	58	65
" " wool	'000 sq. yds.	10,611	9,894	8,190	8,035	9,525	9,402	9,357	7,978	9,765	8,891
Passenger cars and chassis	number	33,177	30,717	25,819	22,716	21,947	21,174	21,239	23,722	25,706	21,618
Commercial vehicles and chassis	"	12,035	11,425	10,706	9,303	9,134	9,650	7,750	8,655	11,150	10,254
Agricultural tractors	"	6,997	9,388	8,745	8,818	7,924	6,377	6,877	7,936	8,836	7,308
Machinery—electrical	£'000	3,821	4,022	4,799	4,378	4,704	4,928	4,597	4,122	4,633	5,300
" other	"	22,715	26,245	30,346	25,694	30,182	29,867	24,623	25,118	28,311	30,770
Chemicals	"	4,991	6,533	6,774	6,579	6,200	6,629	5,411	5,880	5,926	6,476

(¹) Average for third quarter.

(²) Retained imports.

(³) Average for fourth quarter.

US Statistics

Monthly averages or calendar months except where annual rates are shown.

PRICES AND WAGES

	Wholesale prices		Consumer prices				External prices			Stock prices	Average weekly earnings in manufacturing	
	All commodities	Farm products	All items	Food	Clothing	Housing	Import	Export	Terms of trade	Composite index	At current prices	At 1952 prices
	1947-49=100						1948=100			1939=100	\$	
1939	50.1	36.5	59.4	47.1	52.5	...	42	48	88	100.0	23.86	45.62
1951	114.8	113.4	111.0	112.6	106.9	112.4	130	103	126	184.9	64.71	66.17
1952	111.6	107.0	113.5	114.6	105.8	114.6	123	102	121	195.0	67.97	67.97
1953	109.5	95.4	114.5	113.7	104.6	117.4	117	100	117	187.3	71.63	70.99
June	110.9	97.9	114.7	113.8	104.4	117.8	117	101	116	190.4	71.33	70.55
July	110.6	96.4	115.0	114.1	104.3	118.0	113	102	116	190.2	71.69	70.77
August	111.0	98.1	115.2	113.8	105.3	118.4	...	...	...	181.0	71.02	69.97
September	110.2	95.2	115.4	113.6	105.5	118.7	...	...	...	187.1	71.73	70.53
October												

PRODUCTION AND MANPOWER

	Gross national product Seasonally adjusted annual rates	Total industrial pro- duction	Manufacturing production						Building New construction; seasonally adjusted	Civilian employment			
			Durable goods			Non-durable goods				Total labour force	Total employ- ment	Unem- ployed as % of labour force	
			Total	Iron and steel	Auto- mobiles	Total	Textiles	Chemicals					
	\$ billion	Index 1935-39=100; seasonally adjusted						\$ million	thousands	% rate			
1939	91.3	109	109	114	94	109	112	112	683	55,230	45,750	17.2	
1951	329.8	220	273	259	237	194	174	299	2,575	62,884	61,005	3.0	
1952	348.0	219	280	243	230	189	161	302	2,720	62,966	61,293	2.7	
1953	369.0	{	232	310	278	282	191	157	327	2,854	64,668	63,120	2.4
July			236	309	277	272	198	166	326	2,825	64,648	63,408	1.9
August			232	301	264	261	196	160	321	2,828	63,552	62,306	2.0
September			231	304	264	...	194	157	316	2,851	63,404	62,242	1.8
October			...	228	299	...	...	194	...	...	2,916	63,353	61,925
November	...												

TRADE

	Personal consumption Annual rates	All business		Total retail		Imports for US consumption			Exports of US merchandise		Volume of trade	
		Sales	Stocks ²	Sales	Stocks ²	Total	Crude materials	Semi-manufactures	Total	Finished goods	Imports	Exports
		\$ billion; seasonally adjusted				\$ million			\$ million		1936-38=100	
1939	67.5	10.80	20.05	3.50	5.53	190	62	41	260	139	94	113
1951	208.1	44.45	74.06	13.19	20.75	901	280	205	1,240	708	144	247
1952	218.1	45.55	74.76	13.67	20.80	895	245	214	1,252	777	151	250
1953												
June	230.4 ¹	49.25	77.51	14.41	21.57	925	228	260	1,369	1,007	164	279
July		49.61	78.31	14.47	22.09	892	216	232	1,341	990	158	272
August	231.0	48.20	78.75	14.07	22.12	836	203	221	1,176	818	147	237
September		47.43	79.38	13.98	22.28	928	...	...	1,226	...	...	...
October		47.56	79.04	14.02	22.06	...	...	...	...	...	...	...

PURCHASING POWER AND FINANCE

	Personal income			Consumer credit		Banking statistics ³		Budget expenditure ⁴		Bond yields		
	Total	Labour income	Farm income	Total	Installment	Investments	Loans	Total	Surplus or deficit	3-month Treasury bills	Taxable Govt. bonds	Corporate Aaa bonds
	\$ billion; seasonally adjusted annual rates			\$ billion; end of period		\$ billion; end of period		\$ billion		Per cent per annum		
1939	72.6	45.7	4.5	7.22	4.50	23.4	17.2	9.0	- 3.9	0.023	...	3.01
1951	254.3	170.7	15.5	21.47	14.84	74.9	57.7	44.6	+ 3.5	1.552	2.57	2.86
1952	269.7	184.9	14.8	25.83	18.68	77.5	64.2	66.1	- 4.0	1.766	2.68	2.96
1953												
July	287.5	202.4	11.9	27.53	21.00	77.6	65.6	6.1	- 2.8	2.101	2.99	3.28
August	287.0	202.2	11.4	27.81	21.22	77.1	65.0	6.0	- 1.5	2.088	3.00	3.24
September	286.3	201.1	11.4	27.93	21.35	76.7	66.3	6.1	- 0.1	1.876	2.97	3.29
October	287.3	201.0	11.4	28.17	21.49	76.8	67.1	5.5	- 2.3	1.402	2.83	3.16
November	...	...	...	...	...	...	...	5.4	- 0.7	1.427	2.85	3.11

(1) Second quarter. (2) End of period. (3) All commercial banks. (4) Annual figures are totals for the fiscal year ended June 30th.

COMPANY MEETINGS

THE NATIONAL BANK OF SCOTLAND LIMITED

RECORD ADVANCES AND PROFITS

LORD ROWALLAN'S REVIEW

The one hundred and twenty-eighth annual general meeting of the proprietors of The National Bank of Scotland Limited was held in the bank's head office, Edinburgh, on December 17th.

The Right Honourable Lord Rowallan, KBE, MC, TD, DL, the Governor of the bank, in the course of his speech, said: In its main essentials the balance sheet shows no great change from the figures of twelve months before. It is true deposits at £96 million are £1 million less, but that represents no more than a day-to-day fluctuation. Note circulation, in common with all note circulations, continues to increase, and the amount outstanding is now over £11 million and nearly £700,000 higher than in 1952. Our cash resources remain substantial, amounting to nearly £36 million, giving a ratio of 33 per cent against liabilities to the public in the form of deposits and note circulation. Advances and bills discounted together amount to £30,500,000, the highest figure yet recorded.

INVESTMENTS

Investments in British Government securities stand at £44,500,000, and I invite your attention to the statement in the report that the value of these investments at prices ruling at October 31, 1953, exceeds the figures stated in the balance sheet. I might add that all these investments have fixed maturity dates and that more than half mature within a period of ten years.

One item upon which there is a considerable reduction is that of acceptances, endorsements, guarantees and other obligations undertaken on behalf of customers, which can in part be explained by the fact that certain commodities in international markets are no longer being financed through London but are now subject to direct barter arrangements as between the overseas countries concerned and the Continent. The remuneration obtained for the services previously provided was part of our invisible exports. Even so, with obligations of nearly £5,500,000 current, it is evident enough that the bank continues to play a substantial part in the finance of international trade.

REASONS FOR IMPROVEMENT

It will not have escaped your notice that the profits at £306,000, which is a record, while £19,000 higher than those of 1952, are only £5,000 higher than the profits of 1950. The improvement over the past twelve months can in great measure be attributed to lower taxation, because, apart from the reduction in the rate of income tax, material benefit has been received through the relief on the substantial part of the profits that has not been distributed.

On the other hand, because of the lower rate of tax, the provision for dividends requires nearly £5,000 more, and to that extent offsets the apparent increase in profits. Let any hasty conclusion should be drawn that the improved earnings are to be accounted for by the new service charges

introduced, let me say that these new service charges have done little more than help us to keep abreast of increased working costs.

The allocations out of profits are: £100,000 to revenue reserve fund, £40,000 to heritable property account, and £75,000 to the trustees for the officers' pension fund, leaving £122,300 to be carried forward to the next accounts, as against £138,700 brought in.

CAPITALISATION OF RESERVES

You will see that it is intended to capitalise £150,000 of the revenue reserve fund to increase the amount paid up on the £5 million consolidated capital stock from £1,100,000 to £1,250,000. One of the reasons for making that change is that the consolidated capital stock is presently transferable in units of £500, of which £110 is paid up, a somewhat cumbersome and awkward fraction, and the change proposed will admit of future dealings taking place in units of £1, with 5s. paid up.

The change, when it does take place, will not have effect until after payment of the second instalment of the dividend which will be distributed on July 15th next. It is proposed at the same time to take the opportunity of bringing the Bank's Regulations up to date.

TRADE AND INDUSTRY

In the main, the pattern of Scottish industry has followed very much that of recent years. Agriculture and fishing have had reasonable rewards from the harvests from land and sea, but while agriculture has so far obtained a return on a sufficient scale to provide for adequate mechanisation, it cannot be said that the return from the trawling side of the fishing industry gives much encouragement to embark upon the substantial capital outlays that would be involved in the building of new vessels and, unfortunately, much too large a proportion of the trawling fleet is quite out of date. Our main textile industries, both wool and jute, after somewhat unsettled conditions earlier in the year, have staged a satisfactory recovery and are well placed with production and orders, but the linen industry remains somewhat in the doldrums.

One exceedingly bright feature has been the Hawick knitwear trade, which continues to make a handsome contribution to our exports. In iron and steel there is full activity, but in shipbuilding and engineering there has been creeping in a note of hesitation, partly through the cancellation of some contracts and partly through a reduction in the flow of new orders. One may take leave to doubt whether we have made as much of our shipbuilding and engineering opportunities as we should, because there are reports from both industries of production having been hampered through lack of adequate supplies of steel, and it could be suggested that steel might have been more advantageously used by them for our general

export position than by others to whom steel was diverted.

NATIONAL FINANCE

In the general financial sphere, we as bankers have more than a passing interest, but more than bankers should be pleased at the improvement that has taken place in the national finances and in the greater feeling of confidence engendered. No longer are we living under the strain of attempting to make insufficient exports meet the cost of excessive imports, for our national finances have been brought into a better state of balance, visible evidence of which is provided by the steady if somewhat unspectacular increase in our own and in the sterling area's reserves of foreign exchange.

These reserves have increased by as much as £300 million between the low point of 1952 and the end of October this year, but it would be a mistake to adopt any attitude of complacency because our position in general is still too delicately poised. We must still continue to make the utmost effort to expand our exports, and the words used by the Chancellor of the Exchequer at a recent meeting of the National Production Advisory Council of Industry can well be repeated: "To get the increase in exports we must more than match the growing efficiency, productivity, and competitive power of other industrial nations."

The report and accounts were adopted.

THE BIRMINGHAM SMALL ARMS COMPANY

PRESCRIPTION FOR MEETING COMPETITIVE CONDITIONS

The ninety-second annual general meeting of The Birmingham Small Arms Company, Limited, was held on December 18th at Small Heath, Birmingham.

Sir Bernard D. F. Docker, KBE (chairman and managing director), after reviewing the satisfactory trading results, said:

I believe that in this country we need not worry about our ability to compete in the markets of the world. What we do need to worry about, so far as we manufacturers are able, is that there exists conditions under which we can in fact compete. Let me give you my prescription:

So far as government is concerned—removal at the earliest possible moment of all restrictive controls, including currency restrictions. Economy in the administration of the functions of government—about which I would welcome real evidence. Reduction in taxation to provide an incentive both to industry and the individual. Abolition of purchase tax, which still in so many cases directly keeps up the cost of living, and seems in danger of quietly turning the country into seasonal trading.

So far as we in industry are concerned—continued attention to quality of goods produced—we need to sell our brains and our skill; all-out effort to increase the scope of our sales by every method, and here we need the practical sympathy of government.

So far as the workers are concerned, if we succeed full employment is possible, and for value of work given a good living is assured. To my mind, too much attention is paid by too many to basic rates of pay. The criterion must be what a man takes home on a Friday night, and can the work be obtained to keep him employed? Restraint in application for advances must keep down the cost of living and make pay packets buy more goods.

The report was adopted.

DENNIS BROTHERS LIMITED

(Motor and Mechanical Engineers)

SATISFACTORY RESULTS DESPITE DIFFICULTIES

HAMPERING EFFECT OF EXPORT RESTRICTIONS

SIR GEOFFREY BURTON ON PURCHASE TAX BURDEN

The annual general meeting of Dennis Brothers Limited was held on December 18th at the Café Royal, Regent Street, London, W1, Sir Geoffrey Burton (the chairman) presiding.

Mr H. E. Johnson, FCIS (director and secretary), 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:

In presenting to you our accounts for the year ended September 30, 1953, I consider the results are satisfactory, having in mind the difficult trading conditions and export restrictions. You will notice that the profit, after charging all expenses, including taxation and depreciation, is £160,577 as compared with £172,521 for the previous year.

We have again had to meet increases in wages due to awards beyond our control, and so far we have carried this increased cost, and not passed it on to the consumer. We believe this policy has been in the best interests of the company, but it cannot be extended further. As you probably know, there is an application now in course of negotiation between the engineering unions and the employers' federation which, if granted, will certainly involve an increase in prices and add further to the difficulties of our home trade, and even more so in relation to export trade, where competition from other European countries is daily becoming more severe.

LABOUR PROBLEMS

Our relations with labour have, as in the past, been good, but one of our anxieties has been due to our inability to obtain sufficient productive employees to meet the requirements of our various works departments. The demand for labour in and around the Guildford area since the war has grown to such an extent that it exceeds the supply. There is also the added difficulty of housing, although your company is fortunate in owning 250 houses which are let to our own employees at lower rents than any in the district. Had it not been for the foresight of your directors in the past in this connection, we should be suffering today considerably more than we are.

Dealing with the accounts, our stock shows an increase of £147,000, which in general is due to new models and customers' special requirements. The total of sundry debtors, tax reserve certificates, and cash in hand is down about £90,000, which is more than covered by increased stock. Creditors and provision for taxation are approximately the same as last year.

INCREASE OF CAPITAL

On September 29th last an extra-ordinary general meeting was held for the purpose of bringing the issued capital into better relation with the real resources employed. At this meeting you approved proposals to capitalise £676,113 of the reserves. This was done by transferring £108,987 standing to the credit of capital reserve, £150,000 from general reserve, £300,000 from renewal and re-equipment account, and £117,126 from

profit and loss account, to issued capital, bringing this up to £751,237. After issuing nine shares for one, we consolidated ten shares of 1s. each into one share of 10s., thus making the issued capital of the company 1,502,475 shares of 10s. each. At the same time we also increased the authorised capital from £600,000 to £1 million. This is reflected in the balance sheet now before you.

Sales during the year have been hampered by export restrictions and by lessened demand at home, but we have started the new year with a good volume of orders.

There has been no Commercial Vehicle Show at Earls Court this year, but one at Kelvin Hall, Glasgow. We have exhibited a Centaur chassis with 5½-litre engine and special platform body; a Pax chassis with tipping gear and distinctive lightweight body, and a novel integral box-van vehicle for a well-known Scottish sweet manufacturer. The latter is mounted on our latest Stork chassis which was so well received at the last show, and has already justified its introduction. One of the first we supplied was for the London Evening News as a mobile printing unit used for printing stop press news on site.

Our fire engine department has had a satisfactory year, and in our opinion there should still be a steady demand, especially for export. Our fire engines are second to none and we can justifiably claim to be leaders in the manufacture of fire-fighting equipment.

MUNICIPAL VEHICLE DEPARTMENT

The municipal vehicle department has also given a satisfactory account of itself, though as I pointed out last year, competition is increasing in all directions. We intend to keep in the forefront in this field, and several models, some already offered to the public and others projected, should result in the company's business being maintained in this department during the forthcoming year. In particular, our overseas customers have now had the opportunity of assessing the quality of our postwar products, and an increasing demand can be expected in this direction.

Special attention has been paid during the last year to improvement in our servicing arrangements. Quick and efficient service is essential to retain a satisfied customer, and we have plans to still further improve our service by ensuring that the personnel of your company and their agents are in closest touch with our customers both at home and abroad, so that there shall not be a moment's delay in supplying spare parts and giving help in any direction when required.

I have already referred to the difficulties in regard to the home trade. This is to a large extent due to the regulations controlling hire purchase and to purchase tax. In particular, there has been a falling off in orders from coach proprietors due to the fact that one-third of the price has to be paid on delivery and the balance within eighteen months. As the trade is mainly seasonal, this does not allow the operator time to recoup himself.

NEED FOR TAX REBATE SCHEME

With regard to purchase tax, I feel that a tax rebate scheme on vehicles held in stock should be introduced. We have through the Society of Motor Manufacturers and Traders been urging the Ministry to adopt such a scheme. Meanwhile our agents are reluctant to take vehicles into stock on which they have to pay purchase tax, because at a later date tax may be reduced and they cannot obtain any relief. In addition to this, of course, the high rate of purchase tax, which is 33½ per cent of the price of the chassis, continues to be a severe burden, and restrains operators from purchasing the latest types of vehicle even though they would be considerably more economical to run.

At the extra-ordinary general meeting held at the end of September I mentioned that our reconstruction of capital did not imply increased earnings or dividend. Although our net earnings have shown a slight drop as forecast, I am glad to say that the board recommend the same final dividend as last year, which on the new basis means 20 per cent, making a total of 25 per cent for the year.

I wish once again to conclude by thanking your behalf all those engaged in the management of the company and also our employees, both in the offices and the factory, for the good work done during the year and for their unswerving loyalty to your company.

The report and accounts were adopted and the final dividend of 20 per cent, less tax, making 25 per cent, less tax, for the year, was approved.

The retiring directors, Mr H. W. Dawes and Mr H. E. Johnson, FCIS, were re-elected and the remuneration of the auditors, Messrs Gane Jackson Jeffreys and Freeman, having been fixed, the proceedings terminated.

THE STRAND HOTEL LIMITED

The forty-sixth annual general meeting of The Strand Hotel Limited was held on December 17th, in London, Mr S. I. Salmon (the chairman) presiding.

The following are extracts from his circulated statement:

The accounts show that the increase in our profit last year has not been maintained. Although the turnover is slightly above that of last year, the balance on trading account, which amounts to £157,643, shows a decrease of £19,611. After adding interest received and deducting debenture interest, directors' remuneration, depreciation and taxation, the last item amounting to £100,404, there is a profit for the year of £60,396, compared with £66,712 for the previous year.

This result may seem rather disappointing, but the general position is not without cause for some satisfaction. Our greatest concern, for several years now, has been the necessity from time to time to raise our charges to keep pace with the rising costs of operating the business. These costs, under a number of headings, have risen again this year, but in total the increase is not as great as it has been in recent years. Despite these additional costs, since last year we have raised our menu prices to a small extent only and have refrained from making any increase in our bedroom charges. This has meant foregoing some profit this year, but, looking ahead, we feel sure that the best way to encourage more custom to our restaurants and a greater demand for accommodation is to keep our prices down to a minimum.

The Government policy of derationing and of easing restrictions is a relief and encouragement to the hotel industry.

The report and accounts were adopted.

COMBINED ENGLISH MILLS (SPINNERS)

GRADUAL RECOVERY FROM RECESSION

SIR JOHN REYNOLDS ON FUTURE TREND OF TRADE

The twenty-fourth ordinary annual general meeting of Combined English Mills (Spinners), Limited, was held on December 21st in Manchester, Lt. Col. Sir John Reynolds, Bt., MBE, JP (the chairman), presiding.

The following is an extract from his speech which had been circulated with the report and accounts:

I have to report a gross trading profit of £875,310, compared with £1,703,384 for 1952, and a net profit of £286,666, as against £555,872.

The depression of 1951-52 descended on the trade with alarming rapidity and lasted, in all, approximately twelve months. Recovery, fortunately, came with more buoyancy than has always been the case in Lancashire's past history, and by March business was, although not good, at least fair.

The closing date of any firm's accounts makes an extraordinary difference on the effect of the depression in its figures; in some instances spreading the decline in profits relatively evenly and in others leading to very sharp fluctuations indeed.

Last year I warned our shareholders that the recovery, although on the way, would have to proceed at exceptional speed if the bad start of the coming year was to be made good.

The recovery which I then anticipated has in fact continued to develop slowly, but gradually, and this with the present appearance of stability has led your board, despite the decline in our profits, to recommend the maintenance of the preference and ordinary dividends at the same rates as last year.

We are placing to general reserve £150,000. This is provided by allocating £100,000 of our tax provision which is no longer required, together with an amount of £50,000 provided from this year's earnings, making the general reserve £1,150,000. The carry-over is increased by £17,601, making the credit balance to carry forward £428,923.

During the year, £337,412 has been spent on capital additions, as against £108,421 last year, and £259,000 on repairs and maintenance, against £443,000. The change in the ratio between these two items denotes that the wartime back-log of repairs is to some measure made good and that the emphasis is now on renewal of and additions to plant. The burden of taxation is correspondingly heavier.

Future commitments on capital account as at September 30, 1953, are £326,000, against £219,000, as shown in our last balance sheet.

STOCK POSITION

The level of stocks of yarn, cotton, rayon, etc., at £2,619,049, is a reflection of two developments, increased trade and our decision to contract out of the Raw Cotton Commission for cotton supplies, thus assuming responsibility for purchasing our raw cotton in the "free" market.

There is, in consequence, a sharp reduction in cash, but, as our stock increase lies almost entirely in raw cotton, which, of course, is readily negotiable, the loss in liquidity is more apparent than real. While financing out of our own resources all these heavy cotton commitments, we have retained tax reserve certificates against the full amount

of our January and April, 1954, tax liabilities.

Stocks of both cotton and yarn are covered by sales or by "hedges" in the Raw Cotton Commission's cover scheme and are not, therefore, subject to the risk of heavy stock depreciation.

VITAL NEED FOR VIRILE SPINNING SECTION

There can be no doubt that the early recovery of the spinning trade, after so sharp a recession, was in a large measure due to the steadying effect of the Yarn Spinners' Association. Other sections of the trade were at one time critical of the firm stand the spinning section took against selling below economic bare costs. It is now generally recognised that the "floor" which our section of the trade provided shortened by many months a movement which had the makings of a serious slump. A strong and virile spinning section is vital for the well-being of the whole industry.

LABOUR PROBLEMS

During the year labour costs have again risen with an increase in spinning wages of 5 per cent as from August 3, 1953.

Despite this increase the supply of labour is far from satisfactory. In 1951, 321,000 people were employed in the trade, dropping to 262,800 in the worst of the 1952 slump. Recovery in the labour force has been made to 277,970, but even so, labour shortage is a very definite problem.

THE CURRENT YEAR

We have continued to maintain and increase yarn sales and to build up our order book still further.

With a hundred per cent employment in British industry in general any serious or long-drawn-out decline in "off-take" seems unlikely. Minor fluctuations are inevitable in any market, but the tremendous reduction over the years in the number of Lancashire's spindles leaves those of us who remain far less at the mercy of these fluctuations than in prewar days. The following figures comparing approximately the end of the first world war with today are illuminating: 1918—61 million spindles working 55 hours per week; in comparison with the peak period of 1951—28,750,000 spindles working 45 hours per week. The spindleage working today is less than that of 1951.

Export markets are obviously fraught with difficulties and we appreciate the vital importance of this section of the trade, but with the change of ratio between home and export trade, Lancashire can no longer be subjected to the perils and vicissitudes of former years by export difficulties alone.

All recent published trade figures point to a buoyant demand and no unwieldy stocks in any part of the proverbial pipeline. We are not disturbed therefore by fears of a serious decline in this year's volume of trade. Competition, however, is extremely keen and margins remain unduly low, so, while looking and hoping for a satisfactory year, it would be quite unrealistic to anticipate any return to the profits of 1951.

The report and accounts were adopted.

BRITISH MOTOR CORPORATION LIMITED

RATIONALISATION OF PRODUCTION

The second annual general meeting of the British Motor Corporation Limited was held at Oxford on December 18th.

Mr L. P. Lord, chairman and managing director, in his circulated statement, says: The old problem of financing the replacement of plant and equipment after the payment of excessively high taxation still remains. A solution is not yet in sight and the question continues to give great concern.

Rationalisation of Production.—The plans for design, development and manufacture mentioned last year are taking shape. Our staffs have been busily engaged on the rearrangement of plant and the installation of new machinery as quickly as it can be obtained.

PRODUCTION

During the course of the year the production of the Austin Motor Company was interrupted by a three-months' strike. Exports were seriously affected; sales were lost and could not be regained. In spite of this the vehicle production from the Austin factory was 139,694 against 147,833 for the previous year. The corresponding figures for Morris Motors were 139,146 and 128,925 and the total production of the Austin and Morris companies was thus 278,840 against 276,758 for the previous year. At the present time production in all factories is running at a new high level.

The extension to the assembly plant in Sydney, Australia, is proceeding apace. The buildings of the assembly plant in Cape Town, South Africa, are completed and now await the installation of equipment. New companies have been formed in East Africa, Rhodesia and Canada.

Turning now to the home market, it is well known that a large number of vehicles are being sold here in spite of the handicaps of purchase tax and petrol tax, but one wonders how long the home market will continue to absorb vehicles at the present rate under these conditions.

I would like to associate myself with everything HRH the Duke of Edinburgh said concerning roads in his opening speech at the London Motor Show. As far as road building is concerned, the United Kingdom is one of the most backward countries in the world. Trade is being hampered and costs increased by the restricted movements of goods, and many accidents which occur every day arise from present archaic road conditions.

ACQUISITION OF FISHER AND LUDLOW LIMITED

Since the end of our financial year the Corporation made an offer for the ordinary stock of Fisher and Ludlow Ltd., and following acceptance, the issue of shares and payment of cash has been substantially completed. I feel sure that the acquisition of Fisher and Ludlow will be of mutual benefit.

I have already said that production in our factories is running at a new high level, and although marketing conditions all over the world are not becoming less difficult I think that in the absence of any major adverse unforeseen happenings we shall have a successful year. In approaching our problems we can always draw on the many varied experiences of the past and rely on the goodwill and energy of our staffs, suppliers, distributors and dealers.

The report and accounts were adopted.

TRONOH MINES, LIMITED

MR J. H. RICH ON TIN CONTROL

The fifty-first annual general meeting of Tronoh Mines, Limited, was held on December 18th in London.

Mr J. H. Rich, chairman of the company, presided, and the following is an extract from his circulated statement.

As regards the future outlook for tin, the market at the time of writing is suffering from a lack of confidence resulting in a depressed price. Contributory causes for this are the Korean truce, the persistent references to a surplus of 40,000 tons, and the possibility of a trade recession in the USA. It is not surprising that in these unfavourable circumstances consumers should confine their purchases to their bare requirements. Providing there is no serious falling off in American productivity the existing period of low prices may, I think, be regarded as a passing phase. One favourable feature is that the production of tin has reached its peak, and in fact unless new fields are found production will tend to fall while statistics show that the general trend of consumption is upwards.

The recent heavy drop in the metal price has revived interest in the controversial subject of an International Tin Control Agreement, and an International Conference is meeting in Geneva to consider the possibility of achieving this. It is claimed that under such an agreement stable conditions would result, enabling companies to plan ahead and that unemployment would be eliminated. It is interesting to see how far these claims can be substantiated in the light of the experience gained during the ten years prior to the War when a control scheme was in operation. First let us see how far stable conditions resulted under the previous scheme. Under that scheme, and presumably the same conditions would apply under any other control scheme, each participating country was allotted a tonnage assessment, and in the case of Malaya that tonnage was distributed in the form of domestic assessments to the several hundred producers in the country. An integral part of any control scheme is the quota release, which is the percentage of the tonnage assessment permitted to be produced during a given period, the claim being that by this means the price can be stabilised.

QUOTA FAILS TO PRODUCE STABILITY

During the ten years in which the previous control scheme operated the average annual quota release in Malaya varied from 24.33 per cent to 88.75 per cent, and during the same period the price of tin varied from £118.5 to £242.3 per ton, as shown in the Statistical Year Book for 1952. These figures clearly show that the last control scheme failed to produce any stability of either production or price.

Further, owing to the tonnage assessment previously referred to and the permissible sale of quota, any new mine could only be operated at the expense of existing producers, and it was on this account that the Malayan Government refused to issue any prospecting licences.

This prolonged lack of prospecting is now the grave concern both of the Government and the industry, and it is pertinent to enquire what would be the attitude of the Government to prospecting in the event of a new restriction scheme coming into operation. In view of these facts it is difficult to understand how it can be claimed that a control scheme would enable mining companies to plan ahead and enter into capital commitments.

What mining concern would be prepared to put up from three-quarters of a million

to a million pounds to develop and equip new property, knowing that its production would be compulsorily controlled and that the plant might only be in operation for three months in the year, as was the case of one of the associated companies of this group under the former control scheme? The threat inherent in any such scheme is bound to act as a deterrent to the development of new areas, to the detriment not only of the industry but to the economy of the country as a whole.

As to the claim that unemployment would be eliminated, it is only necessary to refer to the annual report of the Chief Inspector of Mines for the year 1938, in which he says that many of the mines were closed down owing to the low quota release, resulting in some 30,000 workers being discharged and calling for an expenditure of some \$600,000 by Government in unemployment relief work.

Despite claims to the contrary, the results of the previous control scheme clearly show that it did not produce the stability claimed, and there is nothing to indicate that conditions have so changed as to produce any other result from a new control agreement.

NEW ZEALAND LOAN AND MERCANTILE AGENCY COMPANY LIMITED

MR MICHAEL G. H. BROWN'S SPEECH

The fifty-ninth annual general meeting of New Zealand Loan and Mercantile Agency Company, Limited, was held on December 18th in London.

Mr Michael G. H. Brown, the chairman, presided, and in the course of his speech said:

Since the issue of our accounts, there have been further statutory increases in certain award rates of pay in New Zealand. It is to be hoped that that country will not allow a rise in remuneration to overtake any rise in production to the extent of involving itself in a runaway form of inflation.

As concerns our company, we hope that some part of the increased cost to us will be met by increased turnover. Regrettably our industry may have to meet a part of this extra cost by an increase in our service charges to clients.

As is frequently pointed out, our trade is more dependent upon wool and meat prices and weather conditions than any other single factor. Lately there has been a little hesitancy in the strength of the bidding at the Wool Auctions for certain grades, but prices have still held at very satisfactory figures. The price of meat is, as yet, fixed by agreement between Governments and this trade will not be freed until about the end of the current year.

Seasonal conditions and the stock feed situation in Australia are generally satisfactory, except in the central areas of Queensland, where conditions are very dry and an early break in the approaching wet season is urgently needed. In New Zealand the season's prospects are really very good.

Domestic trade in these two countries is still running on a good level and, with increasing populations, we have every reason to hope that during the current year we shall handle a satisfactory quantity of business, which will leave us with a reasonable profit margin for all the work we do.

The report and accounts were adopted.

BROWN BAYLEY'S STEEL WORKS

RECONSTRUCTION SCHEME EFFECTED

The thirty-fifth ordinary general meeting of Brown Bayley's Steel Works, Limited, was held on December 18th, at Sheffield, Mr J. W. Garton, the chairman, presiding.

The following is an extract from his circulated statement: Since the last annual meeting your board submitted its proposals to the members for the repayment of the preference share capital. These proposals, I am pleased to say, were accepted without modification by an overwhelming majority of both classes of shareholders. The repayment moneys and the necessary expenses were wholly found out of the resources of the group, of which £600,000 is on loan at call on reasonable terms from The Hoffmann Manufacturing Company, Limited.

The consolidated profit and loss account generally reflects the loss of income, caused by the disposal of the assets of the Farnley group. However, with an increased dividend from the Hoffmann group and the maintenance of the dividend from the South African subsidiary, the net amount available to members has increased from £67,312 to £76,698.

Your directors recommend a final dividend of 2s. 3d. per share, which, together with dividends already paid, will absorb slightly more than the year's available income. Future dividends will depend largely on the trading results of the Hoffmann group and to a lesser extent on the earnings of the South African selling agency.

LIQUIDATION OF FARNLEY GROUP

The Farnley Iron Company, Limited, has for many years been an investment holding company, in which your company has had a controlling interest. In recent years this interest has gradually been increased, and in December, 1952, your company acquired the remaining outside shareholdings. The Farnley Company's principal assets were two wholly owned subsidiary companies—namely, The Taylor Rustless Fittings Company, Limited, and The Farnley Housing Association, Limited—investments in Government securities and a loan to the parent company. In connection with the recent scheme of arrangement, your directors considered that since The Farnley Iron Company, Limited, was serving no useful purpose, it should be liquidated to provide the necessary money and capital profit, out of which to pay certain sums to the preference shareholders. To this end it was necessary to sell The Taylor Rustless Fittings Company, Limited, a stainless steel fabrication works in Leeds, to outside interests. The sale was completed in May of this year at a figure in excess of the book value of its net assets, which your directors consider to be satisfactory. The Government securities, however, had to be realised at a price below their original cost. Your directors have been advised that in order to complete this liquidation, your company has no alternative but to take over the other subsidiary, The Farnley Housing Association, Limited.

Your company is giving very careful consideration to the future of Brown Bayley Steels, Limited, and this important matter is the subject of discussion between the Iron and Steel Holding and Realisation Agency and the board.

With regard to the year 1953, the accounts are not yet completed, but permission will be asked from the agency to publish them as heretofore.

The report and accounts were adopted.

J. GLIKSTEN & SON

DEVELOPMENT OF OVERSEAS RESOURCES

The forty-eighth annual general meeting of J. Gliksten & Son, Limited, was held on December 18th in London, Mr S. G. Gliksten (chairman and managing director) presiding.

The following is an extract from his circulated address:

The revenue from trading of the group amounts to £736,979 as compared with £718,370 a year ago. Adding income from investments, etc., of £13,706 and deducting directors' fees, interest and depreciation, etc., of £190,154, a figure of net profit, before taxation, results of £560,531 as against £542,199. The provision for taxation requires £188,647 as against £350,183 a year ago. The net profit remaining after taxation £370,826 against £189,965 a year ago, is adequate after meeting the preference dividend to provide substantial transfers to reserves and to maintain the dividend on ordinary stock at 32½ per cent, less tax, as last year.

The total capital employed, including reserves and undistributed profits, amounts to £2,925,586 as against £2,626,866 a year ago, an increase during the year of £298,720 which I feel sure you will regard as highly satisfactory. Current assets exceeded current liabilities by £1,793,788, a ratio of 2.36 to 1. Stocks and work in progress have been reduced by £504,608 and it is satisfactory to record that we are more than maintaining our turnover on these reduced stock holdings.

As I forecast a year ago, the past year has shown a substantial reduction in the amount of our call indebtedness and our financial forecast and budget for the current year promises a further considerable reduction. As far as can be foreseen all our developments and extensions can be adequately financed from our own resources.

GENERAL SURVEY

One feature of modern business development which does not appear to be properly appreciated by our legislative friends is the lack of adequate reward obtainable by those who are prepared to undertake the hazards of operating overseas in undeveloped territories, most of which are subject to extremes of heat or cold. Enterprises embarking on such operations which remain domiciled in this country are treated in exactly the same manner as those concerns which operate under the more sheltered and favoured conditions of a highly developed community such as obtain in this country. In other words they are charged exactly the same rate of tax on profits, if any, earned overseas and are granted practically the same capital allowances despite all the dangers, both climatic and political, which are inherent in these overseas operations.

In my considered opinion special consideration should be extended to trading enterprises such as our own who have the will, determination and capacity to develop our colonial and overseas resources.

As regards our home operations, I view the future with confidence. Prices of the commodities in which we deal have been relatively stable during the past year and as far as can be foreseen these conditions are likely to continue.

We welcome the announcement that softwoods have now been freed from all control, and look forward to further relaxation in the control on importation of plywood.

During the period since the close of the accounts, turnover has increased and trading results continue to be satisfactory.

The report was adopted.

HECHT, LEVIS & KAHN

(Merchants in Raw Rubber and Other Commodities)

DIFFICULT TRADING CONDITIONS

The twenty-eighth annual general meeting of Hecht, Levis & Kahn, Limited, was held on December 18th in London, Sir Walter Fletcher, CBE, MP (the chairman), presiding.

The following is an extract from his circulated statement:

The group trading profit is £328,985 as compared with £727,072 last year. There was a considerable reduction in turnover on the London market, and the great difficulties encountered in New York were relative stagnation and certain abuses in the handling of the strategic stockpile made market conditions exceptionally difficult, meant that in that area, normally a source of reasonable profits, losses occurred. The practice under which the majority output of whole countries such as Ceylon were dealt with outside the established market, and on the other side the practice by which the requirements of the countries were equally grouped through government buying agencies have combined not only to reduce turnover but to make markets over-sensitive to relatively small operations and militated heavily against the normal trading practices in which your company has specialised for so long. The impossibility of carrying stocks due largely to the same causes was another adverse feature. Of the net trading profit available to shareholders, that is after the deduction of that amount applicable to outside shareholders of £87,446, no less a figure than £162,878 goes in taxation. The final outcome of the net trading results is therefore a profit in the parent company of £26,953.

BROADENING OF INTERESTS

It will be observed that we carry under the heading of Reserves available for the shareholders in London £787,280, a very considerable umbrella for the rainy day in which we are now working. During the year we continued the policy outlined last year of broadening our interests, which up to then had been very largely in raw rubber only, to other commodities and other forms of trade. This naturally entailed then and has during the current year incurred a considerable increase in overheads in certain directions, but a company like ourselves cannot stand still nor can the board take a chance on behalf of its shareholders that the rubber business will return to that form most acceptable to us and for which we are specially organised. The increased impact of synthetic rubber and of Government trading and the cutting out on political grounds of quite large consuming markets are warning signals that we dare not ignore.

The shareholders will no doubt want me to say something about the prospects for the current year. The rainy day and the lean time are still with us and on top of it there are the increased overheads, for the reasons that I have given, but the provisions that we have made in good times for exactly such an eventuality, and the fact that we are, if anything, more dynamic and less static than we have been for a long time drive away any over-pessimism that might lead to a paralysing of our activities. Because we look back on a long and very honourable history of a century as a trading organisation, we are enabled to look forward even though the moment is a very difficult one, in the same spirit which overcame equally great difficulties in the past.

The report was adopted and a final dividend of 10 per cent was approved.

REGIS PROPERTY COMPANY, LIMITED

LARGER INCOME

The fifteenth annual general meeting of the Regis Property Company, Limited, was held on December 21st in London, the Right Hon Lord Kennet of the Dene, PC, GBE, DSO, chairman, presiding.

The following is an extract from his circulated statement for the year to June 30, 1953:

Last year I told you of the completion of the new section of Plantation House; since the end of the year under review we have been fortunate in acquiring the freehold of this section, so that our office property is now entirely freehold.

There has once again been an expansion of income. This is accounted for by a further increase of revenue from our office property which has offset the ever-rising outgoings in respect of our flat properties. Once again there has been a slight increase in the charge for mortgage interest, but the final result shows that profits, subject to taxation, have risen by £4,520 to £171,632.

Provision for taxation has absorbed an additional £6,432 so that the net profit of the group for the year is £74,449, as against £76,361 for 1952.

In previous years, in order to balance expenditure on deferred repairs, it has been necessary to allocate large sums from the net profit of the company to provision for repairs and contingencies. The programme for repairs of this nature has now been completed. Consequently nothing has to be allocated to provision for repairs and contingencies this year, so that the surplus for the year's net profit available for distribution is, in effect, £73,981, as compared with last year's figure of £66,476 which, I feel sure you will agree, shows satisfactory progress in the company's earning powers. We can, I hope, look forward to a betterment of this position in coming years, when office leases entered into before 1939 become due for renewal.

INCREASED DIVIDEND

The shareholders are entitled at this stage to some further consideration and we have therefore recommended payment of a final dividend on the ordinary shares of 6 per cent, making a total distribution on these shares of 9 per cent for the year, as compared with 16 per cent on half the number of shares, for the previous year.

Although the balance sheet shows a substantial excess of current assets over current liabilities, £560,000 has been expended since the date of these accounts in the purchase of the freehold of the new wing of Plantation House, to which I have already referred.

During the year we have been negotiating for the purchase of the share capital of the Liverpool Exchange Company Limited. Our object in these negotiations has been to spread our risks and to enlarge our investments in office properties.

Property owners generally are still waiting for a long-delayed revision of the Rent Restrictions Acts, which are causing much injustice. As I have already pointed out, our office property and non-controlled flats are having, in effect, to subsidise our rent restricted properties, which, in spite of all difficulties caused by the Act in its present form, are being fully maintained in accordance with the high standards on which we pride ourselves. Let us again hope that this current year may see some necessary legislation which will have the effect of putting our flat properties on to a proper revenue-earning basis.

The report was adopted.

RALEIGH INDUSTRIES LIMITED

A RECORD YEAR

SIR HAROLD BOWDEN'S STATEMENT

In his statement to the shareholders, reporting the company's record production, export sales and profits, the chairman, Sir Harold Bowden says:

It is with pride and considerable satisfaction that the directors of your company present the accounts for the year ending July 31, 1953, for we have achieved yet another record in production, in export sales, and in profits. After a long sequence of records it is not easy to go on improving.

IMPROVED HOME SUPPLIES

Our output, or productivity to use Government phraseology, has again increased in a year in which the total production of bicycles in this country has shown an overall decrease. Such a result, I am sure, is a very heartening one. Over a year ago we announced the production of a million bicycles a year, and since then we have made further considerable strides.

The position of our dealers in the home market has been an unhappy one because of the high priority which we have given to export markets in conformity with Government policy and the national interest. However, I am glad to say that this position is being remedied, thanks to our greatly increased output.

STURMEY-ARCHER

I am also happy to tell you that our Sturmeley-Archer production has reached record figures and is still rapidly expanding. The world wide demand for our gears and lighting sets is greater than ever in the history of the company, and despite our vastly increased production, we are still quite unable to meet it.

As in the past, it is the sterling quality of Raleigh products and our unmatched goodwill throughout the world which has enabled the company to achieve these excellent results.

Further, you will, I am sure, be pleased to learn that our sales figures since the date of the balance sheet again show a healthy increase over those for the corresponding period last year.

LABOUR COSTS

We are glad to see certain signs of a stabilisation in the cost of materials, which today is by far the largest single factor in the price structure of the bicycle, and we hope that we will show a downward trend in these costs.

Labour costs have shown a continued rise since the end of the war, and if our industry is to maintain its present hold upon the world's markets and to continue to provide full employment a halt must also be called to further wage increases that do not bring increased production in their train. With foreign manufacturers knocking at the doors of our export markets, it is essential that our prices should be truly competitive and our costs kept to a minimum, and I am sure that it is in the interests of all those who obtain their livelihood within our industry that a long-term viewpoint should be taken of this problem.

CORONATION BONUS

In view of the record results achieved and of our desire to reward the fine effort of our

workpeople this Coronation year, your directors decided to pay out of the year's profits a special Coronation bonus which together with a bonus equivalent to that which we have distributed in the past when times were good, brings the total distribution for the year to a sum more than double that ever previously paid. In addition to these special distributions we have donated a sum of £20,000 to our Athletic Club for its further development.

BRITISH OVERSEAS MINING ASSOCIATION

TAXATION OF INCOME FROM OVERSEAS

The eighth ordinary general meeting of British Overseas Mining Association was held on December 18th at 1, London Wall Buildings, London, E.C.

Mr Robert Walker, MBE, the President, was in the chair and the following is an extract from his speech:

The Association has repeatedly urged upon HM government the need to mitigate the burden of United Kingdom taxation on the overseas mining industry. Since the Income Tax Act of 1945, a number of reliefs have been given, and of those we are duly appreciative. They have, however, done no more than touch the fringe of the industry problem and have clearly failed to provide the stimulus required if the industry is to survive.

While overseas governments have encouraged their mining industries by incentive legislation, as, for example, in Canada, the industry directed from the United Kingdom has declined in size. Since 1939, a single new overseas mining company has been registered in this country, and it is estimated that, out of an amount of £260 million raised in the market for overseas mines in the period 1946 to 1952, inclusive, only £15 million was invested as additional capital in overseas mines directed from the United Kingdom. Moreover, this latter amount includes over £4 million raised by companies which have since migrated to the countries where their mines are situated.

The excessive burden of United Kingdom taxation and the growing aspirations of nascent nationalism in overseas territories have resulted, in an increasing measure, in the practice of registering new mining companies in the territories where the mines are situated, with boards of directors resident in those territories. Many of these mining companies, though registered overseas, are affiliated to mining finance houses or holding companies resident and controlled in the United Kingdom. Dividends flowing from them are still taxed here, and the funds left available in the hands of the mining finance houses and holding companies for exploration and development work overseas are thus substantially diminished.

It is our hope that the Royal Commission on Taxation in its final report will see fit to recommend that income from overseas mining is spared the onerous taxation rates prevailing in the United Kingdom.

It is interesting to note in this connection that the Fiscal Commission of the United Nations, which has been studying the problem of taxation on overseas income, has expressed the view that the opening up of under-developed territories must inevitably be hampered if income arising in those territories is taxed again in the capital-exporting countries; it is not surprising that the United

Kingdom practice of taxing all income regardless of its source is provoking growing irritation abroad, particularly within the Commonwealth.

DISCRIMINATION AGAINST UNITED KINGDOM COMPANIES

I will mention one practical aspect of this matter. Overseas governments frequently give incentives to new mining concerns in their own territories in order to encourage them, but are, not unnaturally, averse to doing this if the gainer is to be the United Kingdom Treasury. If the present United Kingdom practice of taxing all income arising overseas at the full rate continues, there will be increasing discrimination in overseas territories against companies which are controlled from or owned by companies resident in the United Kingdom. A recent example of this is that the exemption of uranium profits in Australia is limited to companies controlled as to 75 per cent by individual shareholders resident in Australia. Another example is that the percentage depletion allowance in Southern Rhodesia, though available to United States and Canadian companies, is not given to United Kingdom mining companies operating there.

It is our hope that, as an immediate step, the United Kingdom government will at least implement the third recommendation of the interim report of the Royal Commission on Taxation and allow relief in the United Kingdom to match any reliefs given by overseas governments.

ELIMINATION OF DOUBLE TAXATION RELIEF

Another matter which I would like to mention is the discouraging ruling that double taxation relief is not given in the United Kingdom if an overseas territory happens to impose its taxation on mining companies in some form other than a forward income tax or profits tax. The fact that an overseas government finds it convenient to levy part or all of the total taxes on its mining industry in the form of royalty, export duty or tax on turnover, does not make the resultant levy any less of a tax burden. In equity, such overseas taxes should be brought within the application of the double taxation relief, as recommended by the Association in its submissions to the Royal Commission.

The report for the year ended September 30, 1953, was unanimously adopted.

WRIGHT SADDLE COMPANY, LIMITED

A SUCCESSFUL RECOVERY

The seventeenth annual general meeting of the Wright Saddle Company, Limited, was held on December 18th at Birmingham, Mr J. H. Gold presiding in the unavoidable absence of the chairman, Mr Arthur Colegate, MP.

After he had dealt in detail with the accounts, Mr Gold read the chairman's speech, as follows: In my speech last year I drew attention to the obscurity of the outlook in the bicycle industry and to the difficulty of prophesying what the year held in store for us. While our financial year started well enough, we ran into difficulties at the beginning of the calendar year caused by the cancellation of the import licences required in some of the most important export markets for bicycles and bicycle components. It was some months before conditions improved, during which we were working at a lower level than for some years past. Fortunately,